

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WEBSTER)	
COUNTY WATER DISTRICT FOR AN)	CASE NO.
ALTERNATIVE RATE FILING PURSUANT TO 807)	2024-00199
KAR 5:076)	

ORDER

On January 24, 2025,¹ Webster County Water District (Webster District) filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076.

In its application, Webster District requested to increase its base rates revenue by \$328,177 or 28.09 percent to pro forma present rate water sale revenues.² Webster District utilized calendar year ended December 31, 2023, as the test year to determine the reasonableness of Webster District's existing and proposed water rates by 807 KAR 5:076, Section 9.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated February 11, 2025, and amended by Order dated June 4, 2025. Webster District responded to three requests for information with

¹Webster District tendered its application on July 10, 2024. By letter dated July 11, 2024, the Commission rejected the application for filing deficiencies. On July 31, 2024, the Commission issued an Order rejecting the application to use the correct test year pursuant to 807 KAR 5:076 Section 9, and the Commission did not grant a deviation. On December 30, 2024, the district filed another application using a corrected test year, and it was rejected for deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on January 24, 2025.

² Application_Updated_2023_Test_Year.pdf (Remediated Application), submitted Dec. 30, 2024, accepted for filing Jan. 24, 2025., Attachment #4, Revenue Requirements Chart.

supplemental filings being filed one, four, and 12 days after the procedural date relating to the first request for information.³ Webster District filed late responses to the third request for information.⁴

Commission Staff (Staff) issued its report (Staff's Report) on July 24, 2025, summarizing its recommendations regarding Webster District's requested rate adjustment. In Staff's Report, Staff found that Webster District's adjusted test-year operations support an overall revenue requirement of \$2,491,156, an increase of \$623,603 or 35.62 percent, to pro forma present rate revenues is necessary to generate the overall revenue requirement.⁵ Staff allocated the increase according to Webster District's Cost of Service Study (COSS)⁶ with a small change to include Taxes Other Than Income that was previously excluded from the allocation, which is discussed in the Rate Design section below..

On August 7, 2025, Webster District filed its response to Staff's Report.⁷ In its response, Webster District submitted six comments in response to the Staff's Report. First, Webster District did not agree with Staff's removal of certain Labor Expenses from Nonrecurring Charges, but did not wish to contest the adjustment in this case.⁸ Second,

³ Webster District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Mar. 27, 2025), Webster District's Supplemental Responses to Staff's First Request (filed March 28, March 31, and April 8, 2025), Webster District's Responses to Commission Staff's Second Request for Information (Staff's Second Request) (filed Apr. 15, 2025), Webster District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed July 11, 2025).

⁴ Webster District's Responses were due back July 2, 2025 and were not filed until July 11, 2025 with a supplemental filing July 14, 2025.

⁵ Staff's Report (issued July 24, 2025) at 28, Revenue Requirement table.

⁶ Webster District's Response to Staff's First Request, Item 13.

⁷ Webster District's Response to Staff's Report (filed Aug. 6, 2025).

⁸ Webster District's Response to Staff's Report at 1.

Webster District stated the Returned Check Fee of \$1 would be more expensive to implement and administer than would be collected as revenue. Webster District requested that the Returned Check Fee be reduced to \$0.⁹ Third, Webster District stated that the 5/8 x 3/4 Tap On Fee of \$1,114 would be appropriate to set at \$1,100 for clerical purposes and requested the fee be set to that amount.¹⁰ Fourth, Webster District acknowledged the rate increase of 35.62 proposed in Staff's Report would have an impact on certain low-income customers but Webster District's commissioners have also considered the balance between the timing of additional revenues needed to operate and maintain the system and the timing of implementation of the rate increase.¹¹ Webster District further stated its commissioners intend to support the Commission's decision.¹² Fifth, Webster District agreed with the remainder of the findings presented in the Staff's Report and adjustments made by Staff.¹³ Sixth, Webster District waived its right to an informal conference or hearing in this case.¹⁴

Based on the response to Staff Report, the Commission issued an Order on September 19, 2025, recognizing Webster District's August 6, 2025, amendment of its application, and requiring that the district re-notice the rate increase because the recommended revenue increase resulted in rates in excess of 110 percent of the Webster

⁹ Webster District's Response to Staff's Report at 1.

¹⁰ Webster District's Response to Staff's Report at 1.

¹¹ Webster District's Response to Staff's Report at 2.

¹² Webster District's Response to Staff's Report at 2.

¹³ Webster District's Response to Staff's Report at 2.

¹⁴ Webster District's Response to Staff's Report at 2.

District's initially proposed increase.¹⁵ It has been more than 30 days since the September 19, 2025 Order and no requests for intervention have been received. The case now stands submitted for a decision by the Commission.

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."¹⁶ 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

Webster District is a water utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water services to approximately 1,945 residential customer, 197 commercial customers, and four industrial customers that reside in Webster County, Kentucky.¹⁷ Webster District's last base rate

¹⁵ September 19, 2025 Order.

¹⁶ *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).

¹⁷ *Annual Report of Webster District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 12, 49.

increase was also filed pursuant to the alternative rate filing procedure in Case No. 2015-00065.¹⁸

UNACCOUNTED-FOR WATER LOSS

Webster District produces 100 percent of its water.¹⁹ In its 2023 Annual Report, Webster District reported a water loss of 13.8821 percent.²⁰ 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 2023 total annual cost of water loss to Webster District is \$86,493 while the annual cost of water loss in excess of 15 percent is \$0.

Total Water Loss	Purchased Power	Purchased Chemicals	Total
Pro Forma Purchases	\$ 206,032	\$ 417,020	\$ 623,052
Water Loss Percent	13.8821%	13.8821%	13.8821%
Total Water Loss	<u>\$ 28,602</u>	<u>\$ 57,891</u>	<u>\$ 86,493</u>

TEST PERIOD

The calendar year ended December 31, 2023, was used as the test year to determine the reasonableness of Webster District's proposed water rates as required by 807 KAR 5:076, Section 9.

¹⁸ See Case No. 2015-00065, *Application of Webster County Water District for Rate Adjustment Pursuant to 807 KAR 5:076*.

¹⁹ 2023 Annual Report at 57.

²⁰ 2023 Annual Report at 57.

SUMMARY OF REVENUE AND EXPENSES

Staff's Report summarizes Webster District's pro forma income statement as follows:

Description	Commission Staff's Report		
	Test Year Operations	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$ 1,783,356	\$ 3,053	\$ 1,786,409
Operating Expenses	2,656,928	(464,711)	2,192,217
Net Operating Income	(873,572)	467,764	(405,808)
Interest Income	81,144	-	81,144
Income Available to Service Debt	\$ (792,428)	\$ 467,764	\$ (324,664)

REVIEW AND MODIFICATION OF STAFF'S RECOMMENDATIONS

In its application, Webster District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In Staff's Report, Staff recommended additional pro forma adjustments.²¹ The Commission finds that the recommendations contained in Staff's Report should be accepted with further modifications. Following a recent Circuit Court opinion regarding the process used by the Commission to consider employee contribution assumptions arising from a Bureau of Labor Statistics (BLS) report,²² without additional evidence of record the Commission finds an adjustment should be made to include those expenses in the revenue requirement. This results in an increase of \$83,736 or 5.43 percent to the revenue

²¹ Staff's Report at 10.

²² *Oldham Co. Water District v. Public Service Commission of Kentucky*, Franklin Circuit Court, Division 1, Civil Action No. 24-CI-00725 (Sept. 25, 2025), Opinion and Order.

requirement recommended by Staff. The following is the Commission's complete pro forma.

PRO FORMA OPERATING STATEMENT

Description	Test Year	Total Staff Report Adjustments	Staff Report Pro Forma	Commission Adjustments	Commission Approved Pro Forma
Operating Revenues					
Metered Retail Sales	\$ 1,193,865	\$ (21,830)	\$ 1,172,035		\$ 1,172,035
Sales for Resale	560,393	0			
		18,516	578,909		578,909
Other Revenues					
Forfeited Discounts	16,044	3,064	19,108		19,108
Misc. Service Revenues	8,066	3,303	11,369		11,369
Other Water Revenues	4,988	0	4,988		4,988
Total Operating Revenues	1,783,356	3,053	1,786,409	-	1,786,409
Operation and Maintenance					
Salaries and Wages - Employees	455,364	17,482			
		(3,600)	469,246		469,246
Salaries and Wages - Officers	17,400	600	18,000		18,000
Employee Benefits - Medical	203,125	4,263			
		(16,060)	191,328	83,736	275,064
Employee Benefits - Retirement (CERS)	-	105,218			
		-			
		-			
		(14,597)	90,621		90,621
Purchased Power	206,032	-	206,032		206,032
Chemicals	417,020	-	417,020		417,020
Materials and Supplies	201,513	(8,400)			
		33,777			
		(105,218)	121,672		121,672
Contractual Services	17,625	-	17,625		17,625
Rental of Building/Real Property	342	-	342		342
Transportation Expenses	31,286	-	31,286		31,286
Insurance - Gen. Liab & Workers Comp.	18,517	22,329	40,846		40,846
Insurance - Other	346	-	346		346
Advertising Expenses	737	-	737		737
Bad Debt	1,237	-	1,237		1,237
Miscellaneous Expenses	594,198	(567,492)	26,706		26,706
Total	2,164,742	(531,698)	1,633,044	83,736	1,716,780
Depreciation Expense	453,328	110,520			
		(43,431)			
		80	520,497		520,497
Taxes Other Than Income	38,858	(182)	38,676		38,676
Total Operating Expenses	2,656,928	(464,711)	2,192,217	83,736	2,275,953
Net Operating Income	(873,572)	467,764	(405,808)		(489,544)
Interest Income	81,144	-	81,144		81,144
Income Available to Service Debt	\$ (792,428)	\$ 467,764	\$ (324,664)	\$ -	\$ (408,400)

Metered Water Sales. Webster District reported \$1,193,865 in revenues from metered water sales and proposed an adjustment to reduce Metered Water Sales by \$25,563 during the test year to reflect the current billing analysis.²³ Webster District filed a corrected billing analysis on March 28, 2025.²⁴ The correction to the billing adjustments resulted in normalized Metered Retail Sales at current rates of \$1,172,035 shown in the table below. Staff recommended an increase of \$3,733 to Webster District's proposed amount to reflect the corrected billing analysis, resulting in a total pro forma adjustment of a reduction of \$21,830 to Metered Water Sales.²⁵ Staff recommended the Commission accept the Staff's adjustment to Metered Retail Sales to normalize its revenues to the amounts indicated in its corrected billing analysis, as the amounts are known and measurable.²⁶

Meter Size	No. of Bills	Gallons Sold	Revenue
5/8" X 3/4" Meters	24,905	99,586,091	\$ 874,972
1" Meters	185	9,883,740	65,997
1 1/2" Meters	60	10,427,400	55,604
2" Meters	272	31,958,633	185,296
3" Meters	-	-	-
4" Meters	24	1,074,550	12,184
Totals	25,446	152,930,414	\$ 1,194,054
Less Billing Adjustments			(22,019)
Net Total			1,172,035
Less PSC Annual Report			(1,193,865)
SAO Adjustment			\$ (21,830)

²³ Remediated Application, Attachment 4, References, Reference A.

²⁴ 3_Rate_Model_with_Corrected_Billing_Analysis.xlsx (filed Mar. 28, 2025).

²⁵ Staff's Report at 11.

²⁶ Staff's Report at 11.

The Commission finds Staff's recommendations are reasonable and should be accepted because the adjustment reflects verifiable usage and revenue data that were evaluated and normalized using the information provided in the record.

Sales for Resale. Webster District reported \$560,393 in revenue from Sales for Resale and proposed an increase of \$128,387 based on its wholesale COSS.²⁷ Pro forma revenues are intended to represent the full-year amount of revenues based on current customer rates. Webster District's adjustment reflected a proposed wholesale rate structure that is not currently in place. Staff recommended the Commission not accept Webster District's proposed adjustment of \$128,387.²⁸ Staff calculated a normalized wholesale revenue amount for Webster District by using the wholesale gallons sold in the test year²⁹ and multiplying by the current wholesale rate,³⁰ for revenues of \$578,909, during the test year. Staff recommended the Commission accept Staff's adjustment increase of \$18,516 to Sales for Resale as the amount is known and measurable and is supported by the information in the case record.³¹

The Commission finds Staff's recommendation reasonable and should be accepted because the adjustment reflects verifiable usage and revenue data that were evaluated and normalized using the information provided in the record.

Other Water Revenues. Webster District reported a total of \$29,098 in Other Water Revenues, including \$16,044 in Forfeited Discounts, \$8,066 in Misc. Service

²⁷ Remediated Application, Attachment 4, References, Reference B.

²⁸ Staff's Report at 12.

²⁹ 2023 Annual Report at 56.

³⁰ Webster District's Current Tariff, PSC KY No. 1, Original Sheet No. 5.

³¹ Staff's Report at 12.

Revenues, and \$4,988 in Other Water Revenues, consisting of Rent From Water Property.³² Webster District stated that Rent From Water Property and Misc. Service Revenue items were expected to recur.³³ Webster District stated that its forfeited discounts were under reported by \$3,064 during the test year.³⁴ Staff recommended an increase of \$3,064 to account for the corrected amount.³⁵ Staff also recommended an increase of \$3,303 to Misc. Service Revenues, as shown in the table below.³⁶ This adjustment also accounts for differences in revenues recorded for Webster District's Reconnection Charge, as it reported \$5,895 in revenues for that charge during the test year but based on the reported occurrences and its current tariff should have recorded \$9,920, resulting in the adjustment of \$4,025 to its Reconnection Charge shown in the chart below. Staff recommended that the Commission accept Staff's adjustments because the amounts are known and measurable.³⁷

³² Remediated Application, Attachment 4, Schedule of Adjusted Operations and 2023 Annual Report at 49.

³³ Webster District's Response to Staff's First Request, Items 15 and 16.

³⁴ Webster District's Second Supplemental Response to Staff's First Request, 1c_Cross_Reference.xlsx.

³⁵ Staff's Report at 12.

³⁶ Staff's Report at 12.

³⁷ Staff's Report at 13.

Charge	Occurrences	Current Charge	Amount	Test Year Revenue	Adjustment	Pro Forma
Connection Turn-On	71	\$20.00	\$20.00	\$ 1,420	\$ -	\$ 1,420
Connection Turn-On (After Hours)	0	\$30.00	\$76.00	0	0	0
Field Collection Charge	0	\$20.00	\$20.00	0	0	0
Meter Relocation Charge	0	Actual Cost	Actual Cost	0	0	0
Meter Re-Read Charge	0	\$20.00	\$20.00	0	0	0
Meter Re-Read Charge (After Hours)	0	\$30.00	\$76.00	0	0	0
Meter Test Charge	0	\$25.00	\$80.00	0	0	0
Reconnection Charge	248	\$40.00	\$40.00	5,895	4,025	9,920
Reconnection Charge (After Hours)	0	\$50.00	\$76.00	0	0	0
Returned Check Fee	29	\$25.00	\$1.00	751	(722)	29
Service Call/Investigation	0	\$25.00	\$20.00	0	0	0
Service Call/Investigation (After Hours)	0	\$40.00	\$76.00	0	0	0
Pro Forma Test Year NRC Revenue				<u>\$ 8,066</u>	<u>\$ 3,303</u>	11,369
Test Year NRC Revenue ()						(8,066)
Commission Staff's Adjustment						<u>\$ 3,303</u>

The Commission finds Staff's recommended increase of \$3,064 to forfeited Discounts is reasonable and should be accepted as it is supported by documentation in the case record. Additionally, the Commission finds that the Staff's recommended increase of \$3,303 to Other Revenues as the result of adjusting Nonrecurring Charges is appropriate as this reflects the current expenses incurred by the charges and the amount meets the ratemaking criteria of being know and measurable. Increasing the Nonrecurring Charges in line with Webster District's actual cost will result in a fair, just or reasonable rate.

Salaries and Wages – Employees. Webster District reported \$455,364 Salaries and Wages - Employees and proposed two adjustments.³⁸ First, Webster District proposed an increase of \$66,461 to reflect changes in personnel and wage rates for the test year to reach the calculated pro forma of \$521,825 shown in the table below.³⁹ Webster District currently has 11 employees but plans to maintain 10 full-time positions

³⁸ Remediated Application, Attachment 4, Schedule of Adjusted Operations.

³⁹ Remediated Application, Attachment 4, References, Reference D.

after an employee retirement this year.⁴⁰ Because the employee's wages will not be incurred after this year, Staff recommended not including that amount in the revenue requirement.⁴¹ Webster District confirmed that full-time regular hours are 2,080 per year per employee and anything over 40 hours per week is considered overtime.⁴² Staff normalized hours, removed wages for the employee that is retiring, and calculated total wages of \$472,846 shown in the table below, which is a decrease of \$48,979 from Webster District's proposed amounts.

Employee	Reg. Hours	Overtime Hours	Wage Rate	Reg. Wages	Overtime Wages	Total Wages
Employee 1	2,080	55.30	15.81	\$ 32,885	\$ 1,311	\$ 34,196
Employee 2	2,080	277.00	23.21	48,277	9,644	57,921
Employee 3	2,080	232.55	21.33	44,366	7,440	51,806
Employee 4	2,080	0.00	15.50	32,240	0	32,240
Employee 5	2,080	72.20	17.34	36,067	1,878	37,945
Employee 6	2,080	247.90	24.97	51,938	9,285	61,223
Employee 7	2,080	48.60	25.50	53,040	1,859	54,899
Employee 8	2,080	1.60	17.85	37,128	43	37,171
Employee 9	2,080	95.00	15.00	31,200	2,138	33,338
Employee 10			Salaried	72,107		72,107
Total	<u>18,720</u>	<u>1,030</u>		<u>\$ 439,248</u>	<u>\$ 33,598</u>	<u>472,846</u>
Test Year Salaries and Wages - Employees						(455,364)
Commission Staff's Adjustment						17,482
Webster District's Adjustment ()						(66,461)
Difference Between Commission Staff and Webster District's Adjustments						<u>\$ (48,979)</u>

Webster District also proposed a reduction of \$3,600 to remove the labor portion, 30 percent, of expenses related to Tap Fees.⁴³ The Uniform System of Accounts for Class A/B Water Systems (USoA) requires that these costs be capitalized as Utility Plant

⁴⁰ Webster District's Response to Staff's Second Request, Items 2b and 2c.

⁴¹ Staff's Report at 14.

⁴² Webster District's Response to Staff's Second Request, Item 1a.

⁴³ Remediated Application, Attachment 4, References, Reference C.

in Service and depreciated over their estimated useful lives.⁴⁴ Staff agreed with the adjustment by Webster District to remove the labor portion of expenses related to Tap Fees.⁴⁵ This also required a corresponding adjustment to test-year depreciation. Staff recommended the Commission accept Staff's total adjustment of \$13,82 to Salaries and Wages – Employees as known and measurable adjustments to the test-year expense.⁴⁶

The Commission finds that Staff's recommendation to accept Webster District's and Staff's proposed adjustments is reasonable and accepts the adjustments because the amount meets the ratemaking criteria of being known and measurable.

Salaries and Wages – Officers. Webster District reported \$17,400 of expenses related to Salaries and Wages for Officers and proposed no adjustments.⁴⁷ Webster District's Board consists of five members who are each paid \$3,600 per year.⁴⁸ Webster District only sent its two new commissioners to the initial training required by the Commission when they started in 2022 and 2023 respectively, and did not send its commissioners to any additional training.⁴⁹ KRS 74.020(6) states in part:

Each commissioner shall receive an annual salary of not more than thirty-six hundred dollars (\$3,600) In fixing and approving the salary of the commissioners, the county judge/executive and the fiscal court shall take into

⁴⁴ USoA, Accounting Instruction 19 and 33.

⁴⁵ Staff's Report at 14-15.

⁴⁶ Staff's Report at 15.

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

⁴⁸ Webster District's Response to Staff's First Request, Item 10, Commissioner List and Benefit Paid.

⁴⁹ Webster District's Response to Staff's First Request, Item 10b.

consideration the financial condition of the district and its ability to meet its obligations as they mature.⁵⁰

Webster District provided the Fiscal Court minutes that approved the appointments and pay authorization for its commissioners.⁵¹ Staff reviewed the 2023 general ledger⁵² and determined that an adjustment to increase the expense by \$600 was required as shown in the table below. Staff recommended the Commission accept the Staff's pro forma of \$18,000 in commissioners' salaries in the revenue requirement as the Webster District provided the required documentation and because the adjustment is known and measurable.⁵³

Commissioners	Pro Forma Salaries
Tommy Robertson	\$ 3,600
Ryan Hammack	3,600
Larry Villines	3,600
Billy Joe Parker	3,600
Chris Cates	3,600
Total Salaries and Wages - Officers	18,000
Test Year Salaries and Wages - Officers ()	(17,400)
Commission Staff's Adjustment	<u>\$ 600</u>

The Commission finds that Staff's recommendation for the recovery of Webster District's commissioners' compensation is reasonable and should be accepted as Webster District provided all required documentation.

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

⁵¹ Webster District's Response to Staff's First Request, Item 10a.

⁵² Webster District's Response to Staff's First Request, Item 1a, 2023 General Ledger, Account Number 00603-000.

⁵³ Staff's Report at 16.

Employee Benefits - Medical. Webster District reported \$203,125 in expenses related to medical benefits in the test year and proposed an adjustment to increase the amount by \$4,263 to reflect the employer contribution percentage recently used by the Commission as an adjustment for employee health and dental insurance premiums in the revenue requirement.⁵⁴ As discussed in the Salaries and Wages – Employees section above, Webster District currently has 11 employees, but Staff calculated the revenue requirement based on ten employees due to a retirement that Webster District indicated it does not intend to replace.⁵⁵ The ten employees each receive dental, life, and health insurance, although they have different health insurance coverage.⁵⁶ Staff calculated two adjustments. First, it reviewed the 2025 health insurance invoices⁵⁷ and calculated an additional increase of \$67,676 was necessary to reach the Total Annual Gross Health Insurance Cost of \$275,064 shown in the table below. Second, in the Staff Report Staff reduced the expense by \$83,736 based on the Bureau of Labor Statistics Study (BLS Study) employee contribution percentages for single⁵⁸ and family⁵⁹ health insurance coverage, and Willis Benchmarking Survey⁶⁰ dental employee contribution percentages. Webster District's employees contribute \$1.50 per month for each recipient of dental

⁵⁴ Remediated Application, Attachment 4, References, Reference F.

⁵⁵ Webster District's Response to Staff's Second Request, Item 3c.

⁵⁶ Webster District's Response to Staff's First Request, Item 7.

⁵⁷ Webster District's Response to Staff's First Request, Item 7b, Life Insurance 2025 Invoice.

⁵⁸ Bureau of Labor Statistics, Healthcare Benefits, March 2024, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

⁵⁹ Bureau of Labor Statistics, Healthcare Benefits, March 2024, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

⁶⁰ The Willis Benchmarking Survey, 2015, at 62-63.

insurance.⁶¹ Webster District's employees do not make contributions for health insurance.⁶² Staff's adjustments described above resulted in a net decrease of \$16,060, which resulted in a pro forma yearly benefit cost of \$191,328 as shown in the table below. Staff recommended the Commission accept Staff's recommended adjustments as the amounts are known and measurable, are consistent with Commission precedent, and match the information provided in the case record.⁶³

Type of Premium	Number of Employees	Total Cost	Current Employee Contribution Amount	Current Employee Contribution Percentage	Recommended Contribution Percentage	Recommended Contribution Amount	Incremental Adjustment	Pro Forma Monthly Premium
Medical Insurance - Employee Only	2	\$ 1,290	\$ -	0.00%	20%	\$ (258)	\$ (258)	\$ 1,032
Medical Insurance - Employee + Child	1	1,125	-	0.00%	32%	(360)	(360)	765
Medical Insurance - Family	7	19,708	-	0.00%	32%	(6,307)	(6,307)	13,401
Total Medical Insurance	10	22,123	-	0.00%		(6,925)	(6,925)	15,198
Dental Insurance	10	89	(42)	47.19%	60%	(53)	(11)	36
Life Insurance	10	702			-	-		702
Administration Fee	10	8			-	-		8
Total Monthly Pro Forma Premium		22,922	(42)			(6,978)	(6,936)	15,944
Multiplied by: 12 Months		12	12			12	12	12
Total Annual Gross Health Insurance Cost		\$ 275,064	\$ (504)			\$ (83,736)	\$ (83,232)	191,328
Test Year Net Insurance Cost ()		(203,125)				-		
Webster District Pro Forma Adjustment (Ref F1) ()		(4,263)						
Commission Staff's Adjustment		\$ 67,676				\$ (83,736)		\$ (16,060)

The Commission does not find sufficient evidence to support making Staff's recommended BLS adjustment for the reasons explained in the modifications to Staff's Report section above. The table below shows the \$83,736 resulting increase when removing Staff's recommended decrease for the BLS. The Commission therefore finds Staff's first recommendation to update Medical Benefit costs should be accepted and Staff's second recommendation to adjust contribution amounts to the BLS average should be denied.

⁶¹ Webster District's Response to Staff's First Request, Item 7c, Employee Benefits Excel Document, Column G.

⁶² Webster District's Response to Staff's First Request, Item 7c, Employee Benefits Excel Document, Column E.

⁶³ Staff's Report at 18.

Type of Premium	Number of Employees	Total Cost
Medical Insurance - Employee Only	2	\$ 1,290
Medical Insurance - Employee + Child	1	1,125
Medical Insurance - Family	7	19,708
Total Medical Insurance	10	22,123
Dental Insurance	10	89
Life Insurance	10	702
Administration Fee	10	8
Total Monthly Pro Forma Premium		22,922
Multiplied by: 12 Months		12
Total Annual Gross Health Insurance Cost		\$ 275,064
Staff Report Recommended Amount ()		(191,328)
Commission Adjustment		\$ 83,736

Employee Benefits – Retirement. Webster District stated that it included its retirement expense in Materials and Supplies in the test year.⁶⁴ Staff recommended reclassifying the \$105,218 amount to Employee Benefits – Retirement.⁶⁵ Webster District participates in the County Employee Retirement System (CERS), which is managed by the Kentucky Public Pension Authority (KPPA).⁶⁶ Webster District proposed two adjustments. First, it proposed an increase of \$62,028 to account for GASB 68 and 75.⁶⁷ Second, it proposed to increase its pension expenses by \$17,122 to account for the increased Salaries and Wages discussed above.⁶⁸ Staff decreased retirement expense by \$62,028 because the adjustment that Webster District proposed is for non-cash

⁶⁴ Webster District's Supplemental Response to Staff's First Request, Item 1c.

⁶⁵ Staff's Report at 19.

⁶⁶ Webster District's Response to Staff's First Request, Item 7.

⁶⁷ Remediated Application, Attachment 4, References, Reference E.

⁶⁸ Remediated Application, Attachment 4, References, Reference D.

components of retirement expense that should not be included in the revenue requirement. In Case No. 2016-00163,⁶⁹ Staff discussed in detail how reporting requirements for GASB 68 would affect a utility's income statement and balance sheet. In that proceeding, the Commission found that the annual pension expense should be equal to the amount of a district's contributions to CERS.

Staff calculated three adjustments as an alternative to Webster District proposed \$17,122 increase. First, it reduced expenses by \$26,866 to reflect a reduction in the CERS contribution from the test year to the current rate effective July 1, 2025.⁷⁰ Second, it increased expense by \$3,350 to reflect retirement expense due to the increase in wages discussed in the Salaries and Wages – Employees section above. Staff also increased expense by \$8,919 for unreconciled components of the test-year amount. Staff's adjustments discussed above result in a decrease of \$14,597 and pro forma amount of \$90,621 as shown in the table below. Staff recommended the Commission accept the Staff's adjustment to decrease Employee Benefits – Retirement to the \$90,621 pro forma amount as known and measurable changes to the account.⁷¹

⁶⁹ Case No. 2016-00163, *Alternative Rate Adjustment Filing of Marion County Water District* (Ky. PSC Nov. 10, 2016), Order at 11–15.

⁷⁰ CERS Board Meeting December 2, 2024. <https://www.kyret.ky.gov/Employers/Pages/Contribution-Rates.aspx>

⁷¹ Staff's Report at 20.

Description	Test Year	Pro Forma
Wages	\$ 455,364	\$ 472,846
Contribution Rate	25.07%	19.17%
Contributions	114,137	90,621
Other (net)	(8,919)	0
Total	\$ 105,218	\$ 90,621
Increase / (Decrease)		\$ (14,597)
<i>Reconciliation</i>		<i>Adjustment</i>
Change in Contribution Rate		\$ (26,866)
Change in Wages		3,350
Other		8,919
Total		\$ (14,597)

The Commission agrees with Staff's recommendation to deny Webster District 's proposed adjustments. The Commission further finds that all three of Staff's adjustments are reasonable and should be accepted because the amounts are properly calculated using actual contribution rates and pro forma wages and do not include non-cash accounting adjustments from GASB 68 and 75.

Materials and Supplies. Webster District reported \$201,513 of expenses related to Materials and Supplies and proposed one adjustment, a decrease of \$8,400.⁷² Webster District was unable to determine what made up the test-year amount of \$201,513 and stated that amount was incorrect, and the correct amount should have been \$235,290.⁷³ Staff recommended an increase of \$33,777 to reconcile the test year to the correct amount. As discussed above, Staff reclassified \$105,218 to Employee Benefits

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

⁷³ Webster District's Response to Staff's Second Request, Item 3.

– Retirement based on Webster District’s Cross Reference documentation.⁷⁴ Webster District’s proposed adjustment was to remove the remaining 70 percent of Tap Fees, in the amount \$8,400.⁷⁵ 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.⁷⁶ Webster District stated it already capitalized the materials portion of Tap Fees, and therefore, Staff did not make an adjustment to depreciation expense for the materials portion of Tap Fees.⁷⁷ Staff recommended the Commission accept the Staff’s adjustments as appropriate accounting treatment of the expenses.⁷⁸

The Commission finds that Webster District and Staff’s adjustments are reasonable as both are because it is consistent with the respective treatments by the USoA⁷⁹ and therefore, should be accepted.

Insurance – Gen. Liability and Workers Compensation. Webster District reported \$18,517 in Insurance Expenses for General Liability and Workers Compensation during the test year.⁸⁰ Staff reviewed the general ledger and determined half of the test-year Insurance Expenses were reported in prepaid insurance instead of Insurance Expense.⁸¹

⁷⁴ Webster District’s Supplemental Response to Staff’s First Request, Item 1c.

⁷⁵ Remediated Application, Attachment 4, References, Reference C.

⁷⁶ USoA, Accounting Instruction 19 and 33.

⁷⁷ Webster District’s Response to Staff’s First Request, Item 11c.

⁷⁸ Staff’s Report at 22.

⁷⁹ USoA, Accounting Instruction 19 and 33 for the Meter Tap Fee Capitalization and Account 604, Employee Pension and Benefits for reclassification of employee retirements.

⁸⁰ Remediated Application, Attachment 4, Schedule of Adjusted Operations.

⁸¹ Webster District’s Response to Staff’s First Request, Item 1a, 2023 General Ledger Account 00162.

Staff recalculated the expense based on the submitted invoices⁸² and recommended an increase of \$22,329 to account for the reclassification of the prepaid expenses and to normalize the test year amounts to the most recent invoices.⁸³ Staff recommended the Commission accept Staff's adjustment as the amounts are known and reasonable.⁸⁴

The Commission finds Staff's adjustment is reasonable and accepts the adjustment because it is supported by actual amounts set forth in invoices provided in the case record.

Miscellaneous Expenses. Webster District reported \$594,198 to Miscellaneous Expenses and proposed an adjustment to decrease the amount by \$567,492.⁸⁵ Webster District stated this adjustment was because Miscellaneous Expenses were incorrectly entered in the 2023 Annual Report and the correct amount was, \$2,646 in Miscellaneous Expenses, \$11,421 in Telephone Expenses, and \$12,638 in Administrative and Office Expenses.⁸⁶ Staff reviewed the general ledger and determined the adjustments appeared to be appropriate.⁸⁷ Staff recommended the Commission accept Webster District's proposed adjustment to properly record its actual expenses and because the remaining amounts are known and measurable.⁸⁸

⁸² Webster District's Response to Staff's First Request, Item 8.

⁸³ Staff's Report at 22.

⁸⁴ Staff's Report at 22.

⁸⁵ Remediated Application, Attachment 4, Schedule of Adjusted Operations.

⁸⁶ Remediated Application, Attachment 4, References, Reference H.

⁸⁷ Webster District's Response to Staff's First Request, Item 1a.

⁸⁸ Staff's Report at 23.

Account	Amount
00675-0003 Miscellaneous	\$ 2,646
00675-0005 Administrative & Distribution Tele Expense	11,421
00675-0008 Administrative Services & Office Expense	12,638
Total Miscellaneous Expense	26,705
Test Year Miscellaneous Expense ()	(594,198)
Miscellaneous Expense Adjustment	<u>\$ (567,493)</u>

The Commission finds that Webster District's adjustment is reasonable because it correctly revises an error and properly records actual Miscellaneous Expense and therefore, should be accepted.

Depreciation. Webster District reported \$453,328 of expenses related to Depreciation and proposed two adjustments.⁸⁹ First, it proposed an increase of \$110,520 to correct the understated amount in its 2023 Annual Report.⁹⁰ Second, it proposed a decrease of \$43,431 to adjust assets lives to the midpoint of the National Association of Regulatory Utility Commissioners (NARUC) study titled Depreciation Practices for Small Utilities (NARUC Study).⁹¹ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the NARUC study. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Staff agreed with the calculation and recommended accepting the adjustments made by Webster District to correct its

⁸⁹ Remediated Application, Attachment 4, Schedule of Adjusted Operations.

⁹⁰ Remediated Application, Attachment 4, References, Reference G.

⁹¹ Remediated Application, Attachment 4, References, Reference G.

Depreciation Expense and bring asset lives to the midpoint of the NARUC study.⁹² Staff reviewed the fixed asset listing submitted by Webster District⁹³ and determined no additional adjustment was necessary. As discussed in the Salaries and Wages – Employees sections above, Staff also recommended including an adjustment to capitalize the labor portion of Tap Fees revenue.⁹⁴ This results in an \$80 increase to Depreciation Expense, as shown in the chart below. Staff recommended the Commission accept Staff’s recommended adjustment because the amount is known and measurable.⁹⁵

Description	Labor Expenses
Test Year Water Connections Expense	\$ 3,600
Divided by: NARUC Proposed Service Lives	45.0
Total Capitalized Expense Increase	<u>\$ 80</u>

The Commission finds Webster District’s adjustments are reasonable and should be accepted as the adjustments were based on the NARUC study discussed above and because the amounts are known and measurable. The Commission further finds that Staff’s Tap Fee adjustment is reasonable because it is consistent with the USoA and therefore, should be accepted.

Taxes Other Than Income – Federal Insurance Contributions Act (FICA). Webster District reported \$38,858 of expenses related to Taxes Other Than Income and proposed an adjustment to increase \$1,062 due to the Salaries and Wages increase discussed

⁹² Staff’s Report at 24.

⁹³ Webster District’s Response to Staff’s First Request, Item 11c.

⁹⁴ Staff’s Report at 24.

⁹⁵ Staff’s Report at 24.

above.⁹⁶ Included the test-year amount was \$1,126 in PSC assessment fees and \$37,732 in FICA Payroll Taxes.⁹⁷ Staff used the pro forma Salaries and Wages for Employees and Officers to calculate a decrease of \$182, as shown in the chart below. Staff recommended accepting Staff's \$1,244 decrease, because it is a known and measurable change that is a direct result from changes to Salaries and Wages – Employees, and Salaries and Wages - Officers.⁹⁸

Description	Amount
Salaries and Wages - Employees	\$ 472,846
Salaries and Wages - Officers	18,000
Total Salaries and Wages	490,846
FICA Percentage	7.65%
Total Payroll Taxes	37,550
Utility Regulatory Assessment Fee	1,126
Total Taxes Other Than Income	38,676
Test Year Taxes Other Than Income	(38,858)
Commission Staff's Adjustment	(182)
Webster District's Adjustment	(1,062)
Difference	\$ (1,244)

The Commission finds that Webster District's and Staff's adjustments related to Taxes Other Than Income are reasonable and should be accepted because the amounts are known and measurable.

⁹⁶ Remediated Application, Attachment 4, References, Reference D.

⁹⁷ Webster District's Supplemental Response to Staff's First Request, Item 1c.

⁹⁸ Staff's Report at 25.

OVERALL REVENUE REQUIREMENT AND
REQUIRED REVENUE INCREASE

Webster District proposed to use the DSC method in its application. Staff determined the operating ratio (OR) method would better provide sufficient working capital for Webster District as it does not have any outstanding debt.⁹⁹ The OR methodology¹⁰⁰ is used when there is no basis for a rate-of-return determination, the cost of the utility has largely been funded through contributions, or there is little or no outstanding long-term debt. The OR is a method to provide the utility with necessary working capital to operate effectively. With no outstanding debt, Staff concluded that the DSC method does not produce enough revenues to keep Webster District financially stable and viable, with sufficient working capital to operate effectively. Therefore, Staff recommended using the OR method to calculate the revenue requirement for Webster District.¹⁰¹ Staff was of the opinion that an OR of 88 percent was reasonable in this instance and would allow Webster District sufficient revenues to cover its reasonable Operating Expenses and provide for reasonable equity growth.¹⁰² By applying the OR method, Staff found Webster District's Revenue Requirement from Rates to be

⁹⁹ Original Application, ARF Form 1, Item 15a. (filed July 10, 2024).

¹⁰⁰ Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues. It is illustrated by the following equation:

$$\text{Operating Ratio} = \frac{\text{Operating Expenses} + \text{Depreciation} + \text{Taxes}}{\text{Gross Revenues}}$$

¹⁰¹ Staff's Report at 26.

¹⁰² Staff's Report at 26.

\$2,374,547.¹⁰³ The adjustments made by the Commission result in a revised Revenue Requirement from Rates of \$2,469,701. A revenue increase of \$718,757, or 41.05 percent, is necessary to generate the Overall Revenue Requirement of \$2,586,310. The table below shows a comparison of Commission accepted amounts, Staff recommended amounts, and what Webster District's application proposed amounts would look like under the OR method while utilizing the correct methodology to calculate the Revenue Requirement increase of not including the wholesale increase before the revenue increase is calculated.

Description	Webster County Water District	Commission Staff	Commission Approved
Pro Forma Operating Expenses	\$ 2,295,501	\$ 2,192,217	\$ 2,275,953
Operating Ratio	88%	88%	88%
Subtotal	2,608,524	2,491,156	2,586,310
Average Annual Interest Expense	-	-	-
Total Revenue Requirement	2,608,524	2,491,156	2,586,310
Other Operating Revenue ()	(29,098)	(35,465)	(35,465)
Interest Income ()	(81,144)	(81,144)	(81,144)
Revenue Required from Rates	2,498,282	2,374,547	2,469,701
Less Normalized Revenues from Water Sales	(1,754,258)	(1,750,944)	(1,750,944)
Required Revenue Increase	\$ 744,024	\$ 623,603	\$ 718,757
Percentage Increase	42.41%	35.62%	41.05%

RATE DESIGN

Webster District proposed a 28.09 percent increase in its monthly retail rates and an 18.92 percent increase to its wholesale rates.¹⁰⁴ Webster District performed a cost of service study (COSS) to determine the cost of providing service to its wholesale

¹⁰³ Staff's Report at 26.

¹⁰⁴ Printed Advertisement to Cure Deficiency (filed Jan 24, 2025).

customers and to review the appropriateness of its rates and rate design.¹⁰⁵ The COSS¹⁰⁶ provided by Webster District used the commodity demand methodology that is recognized in the Manual M-1 published by the American Water Works Association (AWWA).

The Commission has long accepted the AWWA guidelines as a reasonable method for ratemaking and a reasonable method of designing rates for small water utilities.¹⁰⁷ Using this method, Webster District allocated the Overall Revenue Requirement between retail and wholesale customers in proportion to the cost of providing service to those customer classes.¹⁰⁸ This method recognizes that a utility must meet peak demand requirements as well as the customer's average water use. Webster District proposed to increase its current wholesale water service rate and calculated the proportion of expenses between wholesale and retail water sales using the "inch-miles" method to allocate expenses to the wholesale customer.¹⁰⁹ The Commission has accepted this method in past proceedings,¹¹⁰ and Staff recommended that the Commission accept the method for allocating expenses to the wholesale customer in this

¹⁰⁵ Response to Staff's First Request, Item 13.

¹⁰⁶ Amended Response to Staff's First Request, Item 14 (filed Mar. 28, 2025), 3_Rate_Model_with_Corrected_Billing_Analysis.xlsx.

¹⁰⁷ Case No. 2023-00088, *Electronic Application of Green River Valley Water District for Adjustment of Rates* (Ky. PSC Oct. 30, 2023), final Order; Case No. 2022-00366, *Electronic Application of Mountain Water District for a General Adjustment of Water Rates* (Ky. PSC Oct. 31, 2023), final Order; and Case No. 2022-00142, *Electronic Application of Daviess County Water District for an Adjustment of Rates* (Ky. PSC Feb. 10, 2023), final Order.

¹⁰⁸ Amended Response to Staff's First Request, Item 14 (filed Mar. 28, 2025), 3_Rate_Model_with_Corrected_Billing_Analysis.xlsx.

¹⁰⁹ Amended Response to Staff's First Request, Item 14 3_Rate_Model_with_Corrected_Billing_Analysis.xlsx., Tab Sys, Table D, System Information.

¹¹⁰ Case No. 2024-00219, *Electronic Application of Edmonson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 10, 2025), final Order at 38-39.

case.¹¹¹ Staff noted Webster District's COSS did not include amounts for Taxes Other Than Income, which Staff added, using the same allocation factors as Salaries and Wages, when calculating the revenue required from each class.¹¹²

The Commission finds that the evidence provided in the record and the analysis shows that the allocation methodology used by Staff is fair, just and reasonable and should be accepted. However, as discussed above, removing the BLS study adjustment increased the revenue requirement; and as a result, the Commission allocated the revised increase, as indicated by the COSS and recommended by Staff.

The Commission calculated a revenue requirement from rates of \$2,469,701, and using the same allocation factors, with the revision for Taxes Other Than Income discussed above, determined in Webster District's COSS, applied the pro forma expenses between retail and wholesale classes. The rates will increase a typical residential customer's water bill, using 4,000 gallons a month,¹¹³ from \$33.40 to \$47.63, an increase of \$14.23, or approximately 42.6 percent. The increase is greater than an across the board application of the required revenue increase as it reflects the allocated amounts according to the customer class driving the expenses.

The Commission finds that the rates recommended by Staff should be denied due to the revenue requirement change and the new rates calculated by the Commission to be fair, just and reasonable.

¹¹¹ Staff's Report at 6.

¹¹² Staff's Report at 6-7.

¹¹³ Remediated Application, Attachment 1.

Nonrecurring Charges and Meter Tap Fees. Following the Commission's recent decisions,¹¹⁴ Staff reviewed Webster District's Nonrecurring Charges, in part, to identify to ensure that utilities' Nonrecurring Charges calculations are supported by the marginal cost of providing the services, including costs of labor. Webster District provided updated cost justification information for the Nonrecurring Charges¹¹⁵ and Meter Tap charges listed in its tariff.¹¹⁶ Staff reviewed the cost justification information provided by Webster District and adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs from those charges that occur during regular business hours as those expenses are already collected in rate base. Staff noted Webster District had not updated its Nonrecurring Charge tariffs since 2003, leading to an increase in several of the charges, even after the removal of labor expenses, where applicable.¹¹⁷ The cost justification information shown in Appendix A was provided by Webster District and supports the adjustments.

As discussed above, Webster District requested to eliminate the Returned Check Fee of \$1 recommended in Staff's Report. The Commission finds the request is

¹¹⁴ Case No. 2023-00299, *Electronic Application of Magoffin County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 24, 2024); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 5, 2024); Case No. 2023-00258, *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. 2023-00220, *Electronic Application of East Casey County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 21, 2024).

¹¹⁵ Webster District's Response to Staff's First Request, Item 19, Nonrecurring Charge Cost Justifications pdf and Webster District's Supplemental Response to Staff's Third Request, Nonrecurring Charge Cost Justification – Meter Test Request pdf.

¹¹⁶ Webster District's Response to Staff's First Request, Item 20, Tap Fee Cost Justification pdf.

¹¹⁷ Webster District's Tariff, PSC KY No.1, Original Sheet No. 8, dated Feb 15, 2003.

reasonable and agrees the Returned Check Fee should be removed. The table below shows the current and revised Nonrecurring Charges.

<u>Nonrecurring Charges</u>		
Charge	Current Charge	Revised Charge
Connection Turn-On	\$20.00	\$20.00
Connection Turn-On (After Hours)	\$30.00	\$76.00
Field Collection Charge	\$20.00	\$20.00
Late Payment Penalty	10%	10%
Meter Relocation Charge	Actual	Actual
Meter Re-Read Charge	\$20.00	\$20.00
Meter Re-Read Charge (After Hours)	\$30.00	\$76.00
Meter Test Charge	\$25.00	\$80.00
Reconnection Charge	\$40.00	\$40.00
Reconnection Charge (After Hours)	\$50.00	\$76.00
Returned Check Fee	\$25.00	N/A
Service Call / Investigation	\$25.00	\$20.00
Service Call / Investigation (After Hours)	\$25.00	\$76.00

The Commission finds Staff's recommended increases are appropriate considering the provided cost justification supports the increase, and the amount meets the ratemaking criteria of being known and measurable.

The Commission further finds that the Staff's Report recommendations, with the changes described above, are consistent with excluding additional labor expenses resulting from work performed during regular business hours as they are already being recovered and should not also be recovered through Nonrecurring Charges.¹¹⁸ The

¹¹⁸ 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).

Commission requires that charges be directly related to the actual cost incurred to provide the service. Only the marginal cost related to the service should be recovered through a Special Nonrecurring Charge for service provided during regular working hours. The Commission finds that Staff's recommendations are reasonable with the modification to the Returned Check Fee, and the revised Nonrecurring Charges described above and in Appendix B should be approved.

In addition to its Nonrecurring Charges, Webster District provided updated cost justification sheets for its Meter Tap-On Fees for its 5/8- x 3/4-Inch meter sizes.¹¹⁹ The updated cost justification sheets support a Tap-On Fee of \$1,114, which is an increase from its current Tap-On Fee of \$1,000.¹²⁰ Staff reviewed the cost justification sheets provided by Webster District and recommended increasing its Meter Tap-On Fee as the revised cost justification supports a higher charge. In its response to Staff's Report, Webster District requested to set the 5/8 x 3/4 Tap-On Fee to \$1,100 instead of the \$1,114 recommended in Staff's Report. The Commission finds this request is reasonable and approves the 5/8 x 3/4 Tap-On Fee of \$1,100.

<u>Tap On Fee Charges</u>		
Meter Size	Charge	Amount
5/8 x 3/4 Inch Water Tap On	\$1,000	\$1,100
All Other Sizes		Actual Cost

The Commission agrees with the Staff's recommendation to increase the 5/8-inch x 3/4-inch Meter, and Webster District's request to modify the charge to \$1,100 for clerical purposes, to reflect the current expenses incurred to install new taps, in order to prevent

¹¹⁹ Webster District's Response to Staff's First Request, Item 20.

¹²⁰ Webster District's Response to Staff's First Request, Item 20.

an under-recovery for both Tap Fees. Increasing the Tap Fee rates in line with Webster District's actual cost will result in a fair, just or reasonable rate. In addition, over time, under-recovery of a particular charge will result in degradation of the utility's financial condition.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Staff's Report, along with the above stated modifications, are supported by the evidence of record and are reasonable. By applying Operating Ratio method, as generally accepted by the Commission, the Commission found that Webster District's required revenue from water sales is \$2,469,701 to meet the Overall Revenue Requirement of \$2,586,310 and a \$718,757 or 41.05 percent, revenue increase to pro forma present rates is necessary to generate the Overall Revenue Requirement.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the 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 Webster District are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Webster District on or after six months from the date of this Order
4. Within 20 days of the date of service of this Order, Webster 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.

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PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00199 DATED DEC 23 2025

* Denotes Rounding

Nonrecurring Charges Adjustments

	Connection Turn-On Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$18.60 at 1 hours)	\$18.60	
Office Supplies		
Office Labor (\$17.95 at .50 hours)	\$8.98	
Transportation (28 @ \$.70 per mile)	\$19.60	\$19.60
Misc.		
Total Revised Charge*		\$20.00
Current Rate	\$20.00	

	Connection Turn-On (After Hours) Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$27.90 at 2 hours)	\$55.80	\$56.00
Office Supplies		
Office Labor (\$17.95 at .50 hours)	\$8.98	\$0.00
Transportation (28 @ \$.70 per mile)	\$19.60	\$20.00
Misc.		
Total Revised Charge	\$84.38	\$76.00
Current Rate	\$30.00	

	Field Collection Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$18.60 at 1 hours)	\$18.60	
Office Supplies		
Office Labor (\$17.95 at .50 hours)	\$8.98	

Transportation (28 @ \$.70 per mile)	\$19.60	\$19.60
Misc.		
Total Revised Charge*		<u>\$20.00</u>
Current Rate	\$20.00	

	Meter Re-read Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$18.60 at 1 hours)	\$18.60	
Office Supplies		
Office Labor (\$17.95 at .50 hours)	\$8.98	
Transportation (28 @ \$.70 per mile)	\$19.60	\$19.60
Misc.		
Total Revised Charge*		<u>\$20.00</u>
Current Rate	\$20.00	

	Meter Test Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$18.60 at 1 hours)	\$18.60	\$0.00
Office Supplies	\$0.82	\$0.82
Office Labor (\$17.95 at 1 hours)	\$17.95	\$0.00
Transportation(28 @ \$.70 per mile	\$19.60	\$19.60
Other:		
Meter Test charge from test vendor	\$20.00	\$20.00
Vendor pick up - fuel expense	\$25.00	\$25.00
Vendor ship charge - return meter	\$15.00	\$15.00
Total Revised Charge*	<u>\$116.97</u>	<u>\$80.00</u>
Current Rate	\$25.00	

	Reconnection Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$18.60 at 2 hours)	\$37.20	\$0.00

Office Supplies		
Office Labor (\$17.95 at 1 hours)	\$17.95	\$0.00
Transportation(56 @ \$.70 per mile	\$39.20	\$39.20
Misc.		
Total Revised Charge*	<u>\$94.35</u>	<u>\$40.00</u>
Current Rate	\$40.00	

	Return Check Charge	
	Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor		
Office Supplies	\$0.82	\$1.00
Office Labor (\$17.95 at 2 hours)	\$35.89	
Transportation		
Misc.		
Total Revised Charge	<u>\$36.71</u>	<u>\$1.00</u>
Current Rate	\$25.00	

	Service Call/Investigation	
	Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$18.60 at 1 hours)	\$18.60	
Office Supplies		
Office Labor (\$17.95 at .50 hours)	\$8.98	
Transportation (28 @ \$.70 per mile)	\$19.60	\$19.60
Misc.		
Total Revised Charge*	<u>\$20.00</u>	
Current Rate	\$25.00	

	Service Call/Investigation (After Hours)	
	Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$27.90 at 2 hours)	\$55.80	\$56.00
Office Supplies		

Office Labor (\$17.95 at .50 hours)	\$8.98	\$0.00
Transportation (28 @ \$.70 per mile)	\$19.60	\$20.00
Misc.		
Total Revised Charge	<u>\$84.38</u>	<u>\$76.00</u>
Current Rate	\$40.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00199 DATED DEC 23 2025

The following rates and charges are prescribed for the customers in the area served by Webster County 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 Water Rates

5/8- x 3/4-Inch Meter

First	2,000	Gallons	\$24.95	Minimum Bill
Next	4,000	Gallons	0.01134	Per Gallon
Next	94,000	Gallons	0.00992	Per Gallon
Over	100,000	Gallons	0.00598	Per Gallon

1-Inch Meter

First	10,000	Gallons	\$109.94	Minimum Bill
Next	90,000	Gallons	0.00992	Per Gallon
Over	100,000	Gallons	0.00598	Per Gallon

1 1/2-Inch Meter

First	15,000	Gallons	\$159.49	Minimum Bill
Next	85,000	Gallons	0.00992	Per Gallon
Over	100,000	Gallons	0.00598	Per Gallon

2-Inch Meter

First	20,000	Gallons	\$209.04	Minimum Bill
Next	80,000	Gallons	0.00992	Per Gallon
Over	100,000	Gallons	0.00598	Per Gallon

3-Inch Meter

First	30,000	Gallons	\$303.86	Minimum Bill
Next	70,000	Gallons	0.00992	Per Gallon
Over	100,000	Gallons	0.00598	Per Gallon

4-Inch Meter

First	50,000	Gallons	\$506.34	Minimum Bill
Next	50,000	Gallons	0.00992	Per Gallon

Over	100,000 Gallons	0.00598	Per Gallon
<u>Wholesale</u>		\$0.00492	Per Gallon

Nonrecurring Charges

Connection Turn-On	\$20.00
Connection Turn-On After Hours	\$76.00
Field Collection Charge	\$20.00
Late Payment Penalty	10%
Meter Relocation Charge	Actual Cost
Meter Re-Read Charge	\$20.00
Meter Re-Read Charge After Hours	\$76.00
Meter Test Charge	\$80.00
Reconnection Charge	\$40.00
Reconnection Charge (After Hours)	\$76.00
Service Call / Investigation	\$20.00
Service Call / Investigation (After Hours)	\$76.00

Meter Connection Charges

5/8 x 3/4 Inch Water Tap On	\$1,100.00
All Other Meters	Actual Cost

*Ariel Baker
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*Trevor Baldwin
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*Webster County Water District
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