

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH LOGAN)	
WATER ASSOCIATION, INC. FOR AN)	CASE NO.
ALTERNATIVE RATE FILING PURSUANT TO 807)	2024-00203
KAR 5:076)	

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of October 21, 2024, the attached report containing the recommendations of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's October 21, 2024 Order, South Logan Water Association, Inc. (South Logan Water) is required to file written comments regarding the recommendations of Commission Staff no later than 14 days from the date of service of this report. The Commission directs South Logan Water to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission.


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

DATED FEB 10 2025

cc: Parties of Record

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

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COMMISSION STAFF'S REPORT
ON SOUTH LOGAN WATER ASSOCIATION, INC.

South Logan Water Association, Inc. (South Logan Water) is a water utility organized pursuant to KRS Chapter 273 that owns and operates a distribution system through which it provides retail water service to approximately 1,771 residential customers, 62 commercial customers that reside in Logan County, Kentucky.¹

On October 7, 2024,² South Logan Water filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,³ South Logan Water used the calendar year ended December 31, 2023, as the basis for its application. The application was filed pursuant to the Commission's Order in Case No. 2022-00103 which required South Logan Water to file an application for an adjustment of its base rates by July 27,

¹ *Annual Report of South Logan Water to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) 12, 49.

² South Logan Water tendered its application on July 1, 2024. By letter dated July 5, 2024, and Order dated July 31, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on October 7, 2024.

³ 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.

2024.⁴ South Logan Water's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2002-00481.⁵ Since that matter, South Logan Water has only adjusted its rates pursuant to purchased water adjustments, financing approval, or in conjunction with an application for a Certificate of Public Convenience and Necessity. To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated October 21, 2024.

South Logan Water responded to two requests for information from Commission Staff⁶ and made four supplemental filings.⁷

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2023 Annual Report, South Logan Water reported a water loss of 13.5624 percent.⁸ The 2021 water loss was 14.6712⁹ percent and the 2022 water loss was 14.6712 percent.¹⁰ Commission regulation 807 KAR 5:066, Section

⁴ Case No. 2022-00103, *Electronic Application of South Logan Water Association, Inc. For a Certificate of Public Convenience and Necessity to Construct, Finance, and Increase Rates Pursuant to the Provisions KRS 278.023* (Ky. PSC Jul. 27, 2022), Order at 5, ordering paragraph 1.

⁵ Case No. 2002-00481, *The Application of the South Logan Water Association for Approval of a Proposed Increase in Rates for Water Service, Approval to Borrow Funds, and to Increase Non-Recurring Charges* (Ky. PSC Oct. 9, 2003).

⁶ South Logan Water's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Nov. 26, 2024). South Logan Water's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Dec. 20, 2024).

⁷ South Logan Water's Supplemental Response to Staff's First Request, Item 6 and Staff's Second Request (filed Jan. 8, 2025), Item 4; South Logan Water's Supplemental Response to Staff's First Request (filed Jan. 9, 2025), Item 15a; South Logan Water's Notification of Wholesale Rate Increase (filed Jan. 14, 2025); and South Logan Water's Supplemental Response to Staff's First Request (filed Jan. 17, 2025), Item 15b.

⁸ 2023 Annual Report at 57.

⁹ *Annual Report of South Logan Water to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) 57.

¹⁰ 2023 Annual Report 57.

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 South Logan Water is \$71,380.

Description	Purchased Water	Purchased Power	Total
Pro Forma Expenses	\$ 509,414	\$ 16,889	\$ 526,303
Multiply by: Total Water Loss Percent	13.5624%	13.5624%	13.56%
Total Water Loss Expense	\$ 69,089	\$ 2,291	\$ 71,380

DISCUSSION

Using its pro forma test-year operations, South Logan Water determined that a base rate revenue increase of \$142,442, or 11.83 percent, was necessary to achieve the revenue requirement as shown in the table below.¹¹

Description	South Logan Water Association
Pro Forma Operating Expenses	\$ 1,173,102
Average Annual Principal and Interest Payments	177,320
Additional Working Capital	35,464
Overall Revenue Requirement	1,385,886
Other Operating Revenue ()	(34,470)
Interest Income	(4,854)
Revenue Required from Rates	1,346,562
Revenue from Sales at Present Rates ()	(1,204,120)
Required Revenue Increase	\$ 142,442
Percentage Increase	11.83%

¹¹ South Logan Water's Response to Filing Deficiencies, Attachment 2, Revised Statement of Adjusted Operations Utilizing 2023 Test Year, Revenue Requirement (filed July 15, 2024).

To determine the reasonableness of the rates requested by South Logan Water, Commission Staff performed a limited review of South Logan Water's test-year operations. The scope of Commission Staff's review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable¹² changes to test-year operations were identified, and adjustments were made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

Commission Staff's recommendations are summarized in this report. William Foley reviewed the calculation of South Logan Water's Overall Revenue Requirement, and Manuel Jerez Tamayo reviewed South Logan Water's reported revenues and rate design.

SUMMARY OF RECOMMENDATIONS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Commission Staff determined that South Logan Water's required revenue from rates is \$1,349,376 to meet the Overall Revenue Requirement of \$1,388,254 and that a \$145,256 revenue increase, or 12.06 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

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

2. Monthly Water Service Rates. In its application, South Logan Water proposed to increase its monthly water service rates by 11.83 percent to all its water customers evenly across the board.¹³ South Logan Water stated that it did not consider filing a cost-of-service study (COSS) at this time considering there has been no material changes in the water system that would cause a new COSS to be prepared.¹⁴ The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS.¹⁵ Finding no such evidence in this case, Commission Staff allocated the \$145,256 revenue increase evenly across South Logan Water's monthly retail water service rates.

The rates recommended in Appendix B to this report are based upon the revenue requirement, as calculated by Commission Staff, and will produce sufficient revenues from water sales to recover the \$1,349,376 revenue required from rates, an approximate 12.06 percent increase. The monthly water bill for a typical residential customer using approximately 4,000 gallons per month¹⁶ will increase from \$40.72 to \$45.64 for an increase of \$4.92, or approximately 12.08 percent.

3. Nonrecurring Charges. Following the Commission's recent decisions, Commission Staff has reviewed South Logan Water's Nonrecurring Charges. The

¹³ Application, Attachment 1, Revised Customer Notice (filed Oct. 7, 2024).

¹⁴ South Logan Water's Response to Staff's First Request, Item 12.

¹⁵ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

¹⁶ Application, Attachment 1, Revised Customer Notice (The average retail customer uses 4,000 gallons per month).

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.¹⁷ South Logan Water provided updated cost justification information for the Nonrecurring Charges¹⁸ as well as a list of the number of occurrences for each of its Nonrecurring Charges.¹⁹ Commission Staff reviewed the cost justification information provided by South Logan Water and adjusted these charges by removing the Field Labor Costs and the Office/Clerical Labor Costs from those charges that occur during normal business hours. Commission Staff also removed the Office/Clerical Labor Costs from the After-Hours Reconnection Charge, as office labor is typically performed during normal business hours. Commission Staff did not remove Field Expense Labor Costs from Meter Test Charge at this time since South Logan Water stated that the labor is being performed by an outside employee.²⁰ Commission Staff recommend the Commission require South Logan Water to remove Meter Re-read Charge (at customer's request) and Inspection Fee (New Meter Sets) from South Logan Water's current tariff considering the revised charge has been reduced to

¹⁷ 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).

¹⁸ South Logan Water's Response to Staff's First Request, Item 15a. South Logan Water's Supplemental Response to Staff's First Request, Item 15a, *Cost_Justifications_for_Nonrecurring_Charges and Tap On Fees*.

¹⁹ South Logan Water's Response to Staff's First Request, Item 15.

²⁰ South Logan Water's Supplemental Response to Staff's First Request, Item 15a, *Cost_Justifications_for_Nonrecurring_Charges* at 8.

\$0. The cost justification information, shown in Appendix A, was provided by South Logan Water and supports the adjustments to the Nonrecurring Charges. The adjustments discussed above result in the following revised Nonrecurring Charges:

Nonrecurring Charges	Current Charge	Revised Charge
Connection/Turn-on Charge (After Hours)	\$ 75.00	\$ 75.00
Meter Relocation Charge	Actual Cost	Actual Cost
Damage to Meter, Meter Setter, Box or Lid (Field visit plus equipment replaced)	Actual Cost	Actual Cost
Distribution Valve box damage	Actual Cost	Actual Cost
Meter Re-read Charge (At customer's request)	\$ 45.00	\$ -
Meter Re-read Charge (After hours)	\$ 75.00	\$ 51.00
Meter Test Charge	\$ 75.00	\$ 56.00
Disconnect/Reconnect for non-payment Charge	\$ 50.00	\$ 32.00
Reconnect for non-payment Charge (After Hours)	\$ 70.00	\$ 61.00
Returned Check Charge	\$ 35.00	\$ 7.00
Service Call/Investigation	\$ 55.00	\$ 25.00
Service Call/Investigation (After Hours)	\$ 85.00	\$ 75.00
Inspection Fee (New Meter Sets)	\$ 25.00	\$ -

The adjustments to the Nonrecurring Charges result in an increase in Other Water Revenues of \$2,553 as shown below.

Nonrecurring Charges	Number of Occurrences	Current Charge	Revised Charge	Pro-Forma Nonrecurring Charges
Connection/Turn-on Charge (After Hours)	0	\$75.00	\$75.00	\$ -
Meter Relocation Charge	0	Actual Cost	Actual Cost	0
Damage to Meter, Meter Setter, Box or Lid (Field visit plus equipment replaced)	0	Actual Cost	Actual Cost	0
Distribution Valve box damage	0	Actual Cost	Actual Cost	0
Meter Re-read Charge (At customer's request)	0	\$45.00	\$0.00	0
Meter Re-read Charge (After hours)	0	\$75.00	\$51.00	0
Meter Test Charge	0	\$75.00	\$56.00	0
Disconnect/Reconnect for non-payment Charge	97	\$50.00	\$32.00	3,104
Reconnect for non-payment Charge (After Hours)	0	\$70.00	\$61.00	0
Returned Check Charge	7	\$35.00	\$7.00	49
Service Call/Investigation	0	\$55.00	\$25.00	0
Service Call/Investigation (After Hours)	0	\$85.00	\$75.00	0
Inspection Fee (New Meter Sets)	24	\$25.00	\$0.00	0
Pro Forma Nonrecurring Charges Revenue				3,153
Test Year Nonrecurring Charge Revenues ()				(600)
Adjustment				<u>\$ 2,553</u>

South Logan Water provided an updated cost justification for its 5/8-Inch x 3/4-Inch Meter, 1-Inch Meter, 1½-Inch Meter, and 2-Inch Meter Connection/Tap-On Charge.²¹ Commission Staff reviewed the cost justification information provided by South Logan Water and notes it supports an increase in the 5/8-Inch x 3/4-Inch Meter and 2-Inch Meter Connection/Tap-On Charge. Commission Staff recommends that the Commission accept South Logan Water's supported increase for the Tap-On fee from \$800 to \$1,104 for the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge and from \$1,900 to \$2,936 for the 2-Inch Meter Connection/Tap-On Charge. South Logan Water failed to provide proper cost justification sheets for 1-Inch and 1½-Inch Meter Connection/Tap-On Charges, they shall remain unchanged as they appear in South Logan Water's Tariff.

PRO FORMA OPERATING STATEMENT

South Logan Water's Pro Forma Operating Statement for the test year ended December 31, 2023, as determined by Commission Staff appears in the table below.

²¹ South Logan Water's Supplemental Response to Staff's First Request, Item 15b, Meter_Connections_Cost_Justifications.

Description	South Logan Water Association			Total Adjustments	(Ref.)	Pro Forma
	2023 Test Year	Proposed Adjustments	Commission Staff's Adjustments			
Operating Revenues						
Total Metered Retail Sales	\$ 1,258,900	\$ (54,780)	\$ -	\$ (54,780)	(A)	\$ 1,204,120
Other Water Revenues:						
Other Water Revenues	34,470	-	2,553	2,553	(B1)	
	-	-	(4,855)	(4,855)	(B2)	
		-	1,855	1,855	(B3)	34,023
Total Other Water Revenues	34,470	-	(447)	(447)		34,023
Total Operating Revenues	1,293,370	(54,780)	(447)	(55,227)		1,238,143
Operation and Maintenance Expense						
Salaries and Wages - Employees	201,539	-	(2,117)	(2,117)	(C)	
		(11,550)	725	(10,825)	(D)	188,597
Salaries and Wages - Officers	2,450	-	1,750	1,750	(E)	4,200
Employee Pensions and Benefits	3,408	-	518	518	(F)	3,926
Purchased Water	509,414	-	4,427	4,427	(G)	513,841
Purchased Power	16,889	-	-	-		16,889
Materials and Supplies	101,020	(11,550)	725	(10,825)	(D)	90,195
Contractual Services	15,590	-	-	-		15,590
Transportation	30,124	-	-	-		30,124
Insurance - General Liability & Workers Comp.	30,356	-	-	-		30,356
Advertising	693	-	-	-		693
Miscellaneous Expenses	73,730	-	-	-		73,730
Total Operation and Maintenance Expenses	985,213	(23,100)	6,028	(17,072)		968,141
Depreciation Expense	182,232	10,791	(12,010)	(1,219)	(H)	
		-	271	271	(I)	181,284
Taxes Other Than Income	17,966	-	(721)	(721)	(J)	17,245
Total Operating Expenses	1,185,411	(12,309)	(6,432)	(18,741)		1,166,670
Net Operating Income	107,959	(42,471)	5,985	(36,486)		71,473
Interest Income	-	-	4,855	4,855	(B2)	4,855
Income Available to Service Debt	\$ 107,959	\$ (42,471)	\$ 10,840	\$ (31,631)		\$ 76,328

(A) Billing Analysis. South Logan Water provided a billing analysis listing the water usage and water sales revenue for the 12-month test year in its application.²² South Logan Water reported total metered water sales revenue of \$1,258,900 for the test year in its Schedule of Adjusted Operations.²³ South Logan Water provided a billing analysis to calculate a normalized revenue amount based on the usage during the test year using the rates authorized in its current tariff to be \$1,204,120 and proposed an adjustment to decrease test-year water sales revenue by \$54,780 to reflect the revenues from water

²² South Logan Water's Response to filing Deficiencies, Attachments_to_Cover_Letter, Attachment 3, Revised Billing Analysis.

²³ South Logan Water's Response to filing Deficiencies, Attachments_to_Cover_Letter, Attachment 2, Revised Statement of Adjusted Operations.

rates generated by the billing analysis.²⁴ Commission Staff notes that a portion of the decrease could be the result of some nonrecurring charges being recorded as Sales of Water. Commission Staff recommends the Commission accept the adjustment because the amount is known and measurable.

(B) Other Water Revenues. In the application South Logan Water reported \$34,470 for Other Water Revenues.²⁵ Other Water Revenues include credit card Convenience Fees, Interest Income, Late Charges, contract meter reading fees, some non-recurring charges and an unreconciled discrepancy to the general ledger.²⁶ Commission Staff believes that some non-recurring charge amounts are embedded in metered retail sales. A summary of other water revenues by component and the related adjustments is presented in the table that follows the explanation of adjustments below.

Nonrecurring Charges - As discussed in the non-recurring charges section of the Summary of Recommendations above, Commission Staff followed the Commission's precedent in removing field labor and office/clerical labor costs²⁷ and determined that pro forma non-recurring charges should be \$3,153. The adjustment to non-recurring charge

²⁴ South Logan Water's Response to filing Deficiencies, Attachments_to_Cover_Letter, Attachment 3, Revised Billing Analysis.

²⁵ Response to filing Deficiencies, Attachments_to_Cover_Letter.pdf, Attachment 2, Revised Statement of Adjusted Operations utilizing 2023 Test Year.

²⁶ South Logan Water's Response to Staff's First Request, Item 1c, Item_1c_Cross_Reference.xlsx, Rows 6 thru 10.

²⁷ 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).

costs, net of reclassifications from metered retail sales, results in an increase of \$2,553 (B1) to Other Water Revenues. Commission Staff recommends the Commission accept Commission Staff's adjustment to Other Water Revenues because the amount is known and measurable.

Interest Income - Commission Staff recommends reclassifying Interest Income of \$4,855 (B2) from Other Water Revenues to non-operating revenues. The Uniform System of Accounts for Class A/B Water Systems (USoA) requires Interest and Dividend Income to be included in the Other Income and Deductions section of the Income Accounts, not included in the Utility Operating Income section.²⁸ Commission Staff recommends the Commission accept Commission Staff's reclassification because it reflects the proper accounting for Interest and Dividend Income according to the USoA.

Adjustment for General Ledger Discrepancy - South Logan Water reported a \$1,855 discrepancy between 2023 Annual Report and the Adjusted Trial Balance.²⁹ Commission Staff recommends the Commission accept Commission Staff's \$1,855 (B3) increase to Other Water Revenues, to reflect the reconciliation between the Adjusted Trial Balance and the application's Schedule of Adjusted Operations.

Commission Staff did not recommend adjustments to Late Charges, Convenience Fees, and Russellville Meter Readings. The net effect of the above adjustments results in total Other Water Revenue of \$34,023, as shown in the following table, which is a net decrease of \$447 from South Logan Water's proposed pro forma amount.

²⁸ USoA, Other Income and Deductions, Account 419. Interest and Dividend Income.

²⁹ South Logan Water's Response to Staff's First Request, Item 1c, Item_1c_Cross_Reference.xlsx, Cell L10.

Description	Test Year	Adjustments	Pro Forma	Ref.
Late Charges	\$ 17,101	\$ -	\$ 17,101	
Convenience Fees (Credit Cards)	9,877	-	9,877	
Russellville Meter Readings	3,892	-	3,892	
Non-Recurring Charges	600	2,553	3,153	(B1)
Interest Income	4,855	(4,855)	-	(B2)
Test Year Discrepancy to General Ledger	(1,855)	1,855	-	(B3)
Total	<u>\$ 34,470</u>	<u>\$ (447)</u>	<u>\$ 34,023</u>	

(C) Salaries and Wages – Employees. In its application, South Logan Water reported a test year Salaries and Wages – Employees of \$201,539.³⁰ South Logan Water provided the test year employee list,³¹ test year regular and overtime hours worked,³² current wage rates,³³ and a current employee list.³⁴ During and subsequent to the test year, two employees ceased employment and were replaced by two part time employees, along with internal promotions.³⁵

South Logan Water also provides a water loss bonus to employees for the percentage amount below a targeted water loss of 22.60 percent.³⁶ The calculation used compares the gallons bought divided by the gallons sold and does not take into account

³⁰ Response to filing Deficiencies, Attachments_to_Cover_Letter.pdf, Attachment 2, Revised Statement of Adjusted Operations utilizing 2023 Test Year

³¹ South Logan Water's Response to Staff's First Request, Item 6, Item_6_2023_Water_Report.xlsx, Row 1.

³² South Logan Water's Response to Staff's First Request, Item 6, Item_6_2023_Water_Report.xlsx, Rows 5 thru 13.

³³ South Logan Water's Response to Staff's First Request, Item 6, Item_6_2024_Wager_Report.xlsx, Rows 9 and 10.

³⁴ South Logan Water's Response to Staff's First Request, Item 6, Item_6_2024_Wager_Report.xlsx, Row 1.

³⁵ South Logan Water's Response to Staff's Request for Clarification (filed Jan. 8, 2025).

³⁶ South Logan Water's Response to Staff's Second Request, Item 6, 6_Water_Loss_Example.

the gallons South Logan Water sold.³⁷ Then, South Logan Water multiplies the percentage by a set dollar amount based on employee position,³⁸ resulting in a total water loss bonus of \$15,300, as shown in the following table. While this bonus is performance based; Commission Staff does not find it appropriate to reward staff for performing a function that is an inherent focus and responsibility of the utility. Therefore, Commission Staff did not include the “water loss” bonus in the calculation for Salaries and Wages.

<u>Employee Position</u>	<u>Bonus Amount</u>
Part Time Office Assistant	\$ 250
Outside Operations	2,960
Operations Manger	5,920
Outside Operations	2,960
Office Administration	2,960
Part Time Outside Operations	250
Total Water Loss Bonus	<u>\$ 15,300</u>

Commission Staff calculated Salaries and Wages – Employees amount of \$199,422, a decrease of \$2,117, as shown in the following table.

<u>Employee Position</u>	<u>Test Year Reg. Hrs</u>	<u>Pro Forma Wage Rate</u>	<u>Pro Forma Reg. Wages</u>	<u>Test Year Overtime Hours</u>	<u>Overtime Wage Rate</u>	<u>Pro Forma Overtime Wages</u>	<u>Pro Forma Wages</u>
Part Time Office Assistant	534	\$ 14.00	\$ 7,471	-	\$ 21.00	\$ -	\$ 7,471
Outside Operations	1,341	17.50	23,460	48.50	25.88	1,255	24,715
Operations Manger	2,106	22.10	46,550	363.18	33.15	12,039	58,590
Outside Operations	2,147	25.00	53,669	495.58	37.50	18,584	72,253
Office Administration	1,998	17.44	34,845	31.23	29.16	911	35,756
Part Time Outside Operations	590	14.00	196	21.00	21.00	441	637
Total	<u>8,715</u>		<u>\$ 166,191</u>	<u>959.49</u>		<u>\$ 33,231</u>	<u>199,422</u>
Less: Test Year Salaries and Wages ()							(201,539)
Salaries and Wages Adjustment							<u>\$ (2,117)</u>

Commission Staff recommends the Commission accept Commission Staff's recommendation to exclude the excess water loss bonus. Commission Staff also

³⁷ South Logan Water's Response to Staff's Second Request, Item 6, 6_Water_Loss_Example.

³⁸ South Logan Water's Response to Staff's Second Request, Item 6, 6_Water_Loss_Example.

recommends the Commission accept Commission Staff's adjustment to decrease Salaries and Wages – Employees by \$2,117, as it is known and measurable change because it reflects the test year hours at current wage rates with current employees.

(D) Expenses Related to Meter Installations. In its application, South Logan Water proposed an adjustment to decrease Salaries and Wages – Employees by \$11,550, and also a proposed decrease Materials and Supplies by \$11,550,³⁹ to account for tap fee expenses that were included as part of these expenses during the test year.⁴⁰ During the test year, South Logan Water installed 26 new water connections;⁴¹ 24 5/8" x 3/4" taps, one 1-inch tap, and one 1½-inch tap.⁴² The USoA requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁴³ Commission Staff agrees with South Logan Water's proposed adjustment's methodology; however, Commission Staff calculated different adjustments. Commission Staff calculated the tap fees collected during the test year based upon the number of new taps installed and the current Tariff prices⁴⁴ to be \$21,650, as shown in the following table.

³⁹ Response to filing Deficiencies, Attachments_to_Cover_Letter.pdf, Attachment 2, Revised Statement of Adjusted Operations utilizing 2023 Test Year, Adjustment B.

⁴⁰ South Logan Water's Response to Staff's First Request, Item 2, Item_2_References.pdf, References, Adjustment B.

⁴¹ South Logan Water's Response to Staff's First Request, Item 10a.

⁴² South Logan Water's Response to Staff's Second Request, Item 2.

⁴³ USoA, Accounting Instruction 19 and 33.

⁴⁴ P.S.C. Ky., Sheet No. 8, effective 11/5/2008.

Size	Test-Year Taps Installed	Per unit Cost	Tap Revenues
5/8" x 3/4" Taps	24	\$ 800	\$ 19,200
1" Taps	1	1,100	1,100
1-1/2" Taps	1	1,350	1,350
Total	<u>26</u>		<u>\$ 21,650</u>

Commission Staff decreased Salaries and Wages – Employee by \$10,825 and Materials and Supplies by \$10,825, which is \$725 less than proposed by South Logan Water’s proposed adjustments, as shown in the following table.

Description	Salaries and Wages - Employees	Materials and Supplies
Tap Fees Collected	\$ 21,650	\$ 21,650
Allocation Percentage ()	-50%	-50%
Proposed Adjustment	(10,825)	(10,825)
Less: South Logan Water's Proposed Adjustment ()	11,550	11,550
Commission Staff's Proposed Adjustment	<u>\$ 725</u>	<u>\$ 725</u>

Additionally, South Logan Water confirmed that it has not capitalized the water tap labor,⁴⁵ while the cost of replacements or betterments was capitalized.⁴⁶ Therefore, Commission Staff capitalized the labor costs and made a corresponding adjustment to test-year depreciation as shown in the Capitalization of Tap Labor Expense Adjustment.

Commission Staff recommends the Commission accept Commission Staff’s adjustments to decrease Salaries and Wages – Employees by \$10,825 to and decrease Materials and Supplies by \$10,825 because it reflects the proper accounting for water connection expenses according to the USoA.

⁴⁵ South Logan Water’s Response to Staff’s First Request, Item 10b.

⁴⁶ South Logan Water’s Response to Staff’s First Request, Item 10c.

(E) Salaries and Wages - Officers. South Logan Water provided a list of the current directors and wages.⁴⁷ Each director receives \$50 per month.⁴⁸ Commission Staff calculated a normalized Salaries and Wages – Officers expense of \$4,200, as shown in the following table. Commission Staff increased Salaries and Wages – Officers by \$1,750, because it reflects a normalized year’s wages for the Officers.

Commissioners	Pro Forma Salaries
George Fugate	\$ 600
Jeff Campbell	600
John Mason Barnes	600
Bob Allen	600
Joel Armistead	600
Tammeria Ramsey	600
John Dockins Dawson	600
Total Salaries and Wages - Officers	4,200
Test Year Salaries and Wages - Officers ()	(2,450)
Salaries and Wages - Officers Adjustment	<u>\$ 1,750</u>

Commission Staff recommends the Commission accept Commission Staff’s \$1,750 increase to Salaries and Wages – Officers, because it reflects a known and measurable change as it is a normalized year’s wages for the Officers.

(F) Employee Pensions and Benefits – Retirement. South Logan Water confirmed it provides full-time employees with a 401k account at Edward Jones and matched up to 3 percent of an employee’s salary amount.⁴⁹ South Logan Water also

⁴⁷ South Logan Water’s Response to Staff’s First Request, Item 9, Item_9_Board_Directors_Info.pdf.

⁴⁸ South Logan Water’s Response to Staff’s First Request, Item 9, Item_9_Board_Directors_Info.pdf.

⁴⁹ South Logan Water’s Response to Staff’s Second Request, Item 4; and South Logan Water’s Response to Staff’s Request for Clarification.pdf.

clarified that only two employees currently contribute to the 401k.⁵⁰ With the adjustments to the individual employee’s salaries and wages calculated above, Commission Staff calculated the pro forma contribution for the two employees who contribute to the 401k and South Logan Water’s matching percentage. Commission Staff calculated a pro forma retirement contribution of \$3,926, which is \$518 more than the test year’s Employee Pension and Benefits as shown in the following table.

Description	Operations Manger	Outside Operations
Salaries and Wages - Employees	\$ 58,590	\$ 72,253
Times: Employer Contribution Percentage	3.0%	3.0%
Pro Forma 401k Contribution	\$ 1,758	2,168
Total 401K Contribution		3,926
Test Year 401k Contributions ()		(3,408)
Employee Pensions and Benefits Adjustment		<u>\$ 518</u>

Commission Staff recommends the Commission approve Commission Staff’s adjustment to increase Employee Pensions and Benefits by \$518, because it is a known and measurable change that is a direct result from changes to Salaries and Wages – Employees.

(G) Purchased Water Normalization. In its Application, South Logan Water reported test-year Purchased Water Expense of \$509,414.⁵¹ Subsequent to the filing of this case, South Logan Water filed a notification that its wholesale water rate was

⁵⁰ South Logan Water’s response to PSC staffs request for clarification, Response_to_PSC_Request_for_Clarification.pdf.

⁵¹ South Logan Water’s Response to Filing Deficiencies, Attachments_to_Cover_Letter.pdf, Attachment 2, Revised Statement of Adjusted Operations utilizing 2023 Test Year.

increasing effective January 1, 2025, to \$.00336 per gallon.⁵² Commission Staff calculated Purchased Water expense, using the test year gallons purchased of 152,929,000 from the Logan/Todd Regional Water Commission⁵³ and the revised current rate of .00336. Commission Staff calculated a Purchased Water Expense of \$513,841, which results in a \$4,427 increase to Purchased Water Expense as shown in the table below.

Period	Gallons Purchased	Cost per Gallon	Total
January	11,521,000	\$ 0.00336	38,710.56
February	10,268,000	0.00336	34,500.48
March	12,774,000	0.00336	42,920.64
April	11,743,000	0.00336	39,456.48
May	13,349,000	0.00336	44,852.64
June	14,484,000	0.00336	48,666.24
July	13,838,000	0.00336	46,495.68
August	14,348,000	0.00336	48,209.28
September	13,373,000	0.00336	44,933.28
October	13,442,000	0.00336	45,165.12
November	11,241,000	0.00336	37,769.76
December	12,548,000	0.00336	42,161.28
Total Purchased Water Expense	<u>152,929,000</u>	<u>\$ 0.00336</u>	<u>\$513,841</u>
Test Year Purchased Water ()			(509,414)
Purchased Water Adjustment			<u>4,427</u>
Proposed Adjustment ()			-
Commission Staff's Purchased Water Adjustment			<u><u>\$ 4,427</u></u>

⁵² Notification of Wholesale Rate Increase, (filed Jan. 14, 2025), Change_in_Wholesale_Water_Rate.pdf.

⁵³ South Logan Water's Response to Staff's First Request, Item 11, Item_11_Purchased_Water.xlsx, Column C.

Commission Staff recommends the Commission approve Commission Staff's adjustment to increase Purchased Water Expense by \$4,427, because it is a known and measurable change that is a normalization of purchased water at the current cost.

(H) Depreciation Expense – Annualized Depreciation. In its Application, South Logan Water proposed an adjustment to increase Depreciation Expense by \$10,791,⁵⁴ to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Utilities* (NARUC Study).⁵⁵ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same 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.⁵⁶ Upon examination, Commission Staff agrees with South Logan Water's methodology to adjust depreciation expense. However, Commission Staff disagrees with some of the classifications and calculated amounts.

South Logan Water determined the depreciation expense for each category by taking the entire category's Book Cost divided by the NARUC suggested Service life midpoint.⁵⁷ Commission Staff reviewed each capital asset and determined the pro forma

⁵⁴ South Logan Water's Response to Filing Deficiencies, Attachments_to_Cover_Letter.pdf, Attachment 2, Revised Statement of Adjusted Operations utilizing 2023 Test Year, Adjustment C.

⁵⁵ South Logan Water's Response to Staff's First Request, Item 2.

⁵⁶ See Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), Order; Case 2023-00134, *Electronic Application of North Marshall Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC, Dec. 22, 2023), Order at 30; Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

⁵⁷ South Logan Water's Response to Staff's First Request, Item 13a, 2023_Rate_Study_South_Logan_Water.xlsx, Depreciation Tab.

depreciation, by depreciating each asset that was not fully depreciated over the NARUC suggested midpoint, and for assets that became fully depreciated during the test year, including the partial year's depreciation; in addition several assets were included under the categories they did not belong. Therefore, Commission Staff reclassified the items and depreciated them over the different revised service life.

Commission Staff calculated a Depreciation Expense of \$181,013, as shown in the following table, which is \$1,219 less than the reported test year amount of \$182,232 and \$12,010 less than South Logan Water's proposed \$10,791 increase to Depreciation Expense.

Asset Class	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Group: 1800 - Land & Land Rights	35 - 40	\$ 613	\$ (286)	\$ 327
Group: 1801 - Pumping Equipment	35 - 40	1,106	(322)	784
Group: 1802 - Distribution Reservoirs	30 - 60	12,602	1,400	14,002
Group: 1802 - Communications equipment	10	774	-	774
Group: 1802 - Structures & Improvements	35 - 40	5,863	1,864	7,727
Group: 1803 - Transmission & Distr.	50 - 75	144,347	(28,346)	116,001
Group: 1803 - Communications Equipment	10	10,815	(0)	10,815
Group: 1804 - Services	30 - 50	-	-	-
Group: 1805 -Meters	35 - 45	25,640	(11,693)	13,947
Group: 1806 - Hydrants	40 - 60	2,497	(1,498)	999
Group: 1807- Office Equipment		756		
Group: 1811- Other Equipment	10 - 15	8,529	(3,134)	5,395
Group: 1811- Transportation Equipment	7	8,230	(2,352)	5,878
Group: 1812- Building & Bldg Imp	40 - 50	2,930	(501)	2,429
Group: 1814-MXU Meters	35 - 45	4,840	(2,905)	1,935
Total		<u>\$ 229,542</u>	(47,773)	181,013
Less: Reported Test Year Depreciation Expense ()				(182,232)
Depreciation Expense Adjustment				(1,219)
Less: South Logan Water's Proposed Adjustment ()				(10,791)
Total Depreciation Adjustment				<u>\$ (12,010)</u>

Commission Staff recommends the Commission accept Commission Staff's \$1,219 decrease to Depreciation Expense to reflect the annualization of Depreciation expense at the recommended NARUC midpoint service lives.

(I) Capitalization of Tap Labor Expense. As explained in the Expenses Related to Meter Installations Adjustment above, the expenses related to the installation of new water connections are capital expenditures that should be capitalized as Utility Plant in Service and depreciated over their estimated useful lives. South Logan Water confirmed that it already capitalized the material costs of new meters,⁵⁸ but did not capitalize the labor costs.⁵⁹ Therefore, Commission Staff calculated the annual depreciation amount for the test year and increased depreciation expense by \$271 to account for the Tap Fee Labor Expense, as shown in the following table.

Description	Labor Expense Amount
Test year Water Connection Expense	\$ 10,825
Divided by NARUC Proposed Service Life	40
Pro Forma Depreciation Adjustment	<u>\$ 271</u>

Commission Staff recommends the Commission accept Commission Staff's \$271 increase to Depreciation Expense, because the USoA requires the assets to be depreciated over their estimated useful lives.

(J) Taxes other Than Income – Federal Insurance Contribution Act (FICA). As explained in Salaries and Wages – Employees and Salaries and Wages – Officers adjustments above, Commission Staff calculated South Logan Water's pro forma Salaries and Wages – Employees of \$199,422 and Salaries and Wages – Officers of \$4,200. Therefore, Commission Staff calculated a decrease of \$721 to Taxes Other Than Income, as shown in the following table.

⁵⁸ South Logan Water's Response to Staff's First Request, Item 10c.

⁵⁹ South Logan Water's Response to Staff's First Request, Item 10b.

Description	Amount
Salaries and Wages - Employees	\$ 199,422
Salaries and Wages - Officers	4,200
Total Salaries and Wages	203,622
Times: 7.65 Percent FICA Rate	7.65%
Total Payroll Taxes	15,577
Plus: PSC Assessment	1,668
Total Taxes other than Income	17,245
Test Year Taxes Other Than Income ()	(17,966)
Commission Staff's Proposed Adjustment	\$ (721)

Commission Staff recommends the Commission approve Commission Staff's adjustment to decrease Taxes other than Income by \$721, 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.

OVERALL REVENUE REQUIREMENT

The Commission has historically applied the Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations.⁶⁰ This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a noncash item, to provide working

⁶⁰ 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).

capital;⁶¹ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

Description	South Logan Water Association	Commission Staff	
Pro Forma Operating Expenses	\$ 1,173,102	\$ 1,166,670	
Average Annual Principal and Interest Payments	177,320	184,653	(1)
Additional Working Capital	35,464	36,931	(2)
Overall Revenue Requirement	1,385,886	1,388,254	
Other Operating Revenue ()	(34,470)	(34,023)	
Interest Income	(4,854)	(4,855)	
Revenue Required from Rates	1,346,562	1,349,376	
Revenue from Sales at Present Rates ()	(1,204,120)	(1,204,120)	
Required Revenue Increase	<u>\$ 142,442</u>	<u>\$ 145,256</u>	
Percentage Increase	<u>11.83%</u>	<u>12.06%</u>	

1. Average Annual Principal and Interest Payments. At the time of Commission Staff's review, South Logan Water had five Bonds with United States

⁶¹ 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).

Department of Agriculture (USDA) Rural Development (RD).⁶² In its application, South Logan Water 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 2024 through 2028.⁶³ However, because the suspension date in this proceeding is April 4, 2025, the 2024 debt service payments were recovered through South Logan Water'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 South Logan Water's Annual Principal and Interest Expense. Commission Staff calculated the average annual principal and interest on a five-year average for the years 2025 through 2029. As shown in the following table, Commission Staff calculated an Average Principal and Interest expense of \$184,653, as shown in the following table.

⁶² Case No. 1993-00099, *The Application of South Logan Water Associations, Inc., Logan County Kentucky, Authorizing said Association to Construct an Addition to Water Distribution Systems, and Approval of Water Rate Increase*, (Ky. PSC Apr. 12, 1993). Case No. 1997-00465, *In The Matter of the Application of South Logan Water Association, Inc., of Logan County, Kentucky for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to the Provisions of KRS 278.023*, (Ky. PSC Dec. 24, 1997). Case No. 2005-00338, *The Application of South Logan Water Association, Inc., of Logan County, Kentucky for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Charges Pursuant to the Provisions of KRS 278.023*, (Ky. PSC Sept. 21, 2005). Case No. 2013-00203, *Application of South Logan Water Association, Inc. for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to the Provisions of KRS 278.023*, (Ky. PSC June 19, 2013). Case No. 2022-00103, *Electronic Application of South Logan Water Association, Inc. for a Certificate of Public Convenience and Necessity to Construct, Finance, and Increase Rates Pursuant to the Provisions KRS 278.023*, (Ky. PSC July 27, 2022).

⁶³ South Logan Water's Response to Filing Deficiencies, Attachments_to_Cover_Letter.pdf, Attachment 2, Revised Statement of Adjusted Operations utilizing 2023 Test Year, Table B, Debt Service Schedule.

Debt Service Schedule

Year	2025		2026		2027		2028		2029		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
USDA RD 91-01	\$15,905	\$ 8,750	\$16,700	\$ 7,955	\$17,535	\$ 7,120	\$18,412	\$ 6,243	\$ 19,332	\$ 5,323	\$123,275
USDA RD 91-03	17,259	16,335	18,101	15,493	18,983	14,611	19,908	13,686	20,879	33,594	188,849
USDA RD 91-04	17,500	23,451	18,500	22,729	19,000	21,966	20,000	21,182	20,500	20,357	205,185
USDA RD 91-06	23,361	27,939	24,003	27,297	24,663	26,637	25,342	25,958	26,038	25,262	256,500
USDA RD 08	15,149	11,526	15,377	11,298	15,607	11,068	15,841	10,834	16,079	26,675	149,454
Total	\$89,174	\$88,001	\$92,681	\$84,772	\$95,788	\$81,402	\$99,503	\$77,903	\$102,828	\$111,211	923,263
Divide by: 5 years											5
Average Annual Principal and Interest Payment											<u>\$184,653</u>

2. Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its application, South Logan Water requested recovery of an allowance for working capital that is equal to 120 percent of its average annual principal and debt payments at the time of its application for a total of \$35,464.⁶⁴

Following the Commission's historic practice,⁶⁵ Commission Staff agrees with South Logan Water's methodology. Therefore, when the average Annual Principal and Interest Payments of \$184,653 is included, an additional \$36,931 is included in the revenue requirement as shown in the following table.

Description	Amount
Average Annual Principal and Interest	\$ 184,653
Times: DSC Coverage Ratio	120%
Total Net Revenues Required	<u>221,584</u>
Less: Average Annual Principal and Interest Payments ()	(184,653)
Additional Working Capital	<u><u>\$ 36,931</u></u>

⁶⁴ South Logan Water's Response to Filing Deficiencies, Attachments_to_Cover_Letter.pdf, Attachment 2, Revised Statement of Adjusted Operations utilizing 2023 Test Year, Revenue Requirements.

⁶⁵ 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).

Signatures

/s/ William Foley

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

/s/ Manuel Jerez Tamayo

Prepared by: Manuel Jerez Tamayo
Rate Design Branch
Division of Financial Analysis

APPENDIX A

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00203 DATED FEB 10 2025

* Denotes Rounding

Nonrecurring Charges Adjustments

Connection/Turn-on Charge (After Hours)				
	Utility Revised Charge		Staff Revised Charge	
Field Materials	\$	-	\$	-
Field Labor (2hr @ overtime 32.16)	\$	64.32	\$	64.32
Office Supplies	\$	-	\$	-
Office Labor	\$	-	\$	-
Transportation (Use of company truck)	\$	10.68	\$	10.68
Misc.	\$	-	\$	-
Total Revised Charge*	\$	75.00	\$	75.00
Current Rate	\$	75.00		

Meter Relocation Charge				
	Utility Revised Charge		Staff Revised Charge	
Field Materials	\$	-	\$	-
Field Labor	\$	-	\$	-
Office Supplies	\$	-	\$	-
Office Labor	\$	-	\$	-
Transportation	\$	-	\$	-
Misc.	\$	-	\$	-
Total Revised Charge*	\$	-	\$	-
Current Rate		Actual Cost		Actual Cost

Damage to Meter, Meter Setter, Box or Lid (Field visit plus equipment replaced)				
	Utility Revised Charge		Staff Revised Charge	
Field Materials	\$	-	\$	-
Field Labor	\$	-	\$	-
Office Supplies	\$	-	\$	-
Office Labor	\$	-	\$	-
Transportation	\$	-	\$	-
Misc.	\$	-	\$	-
Total Revised Charge*	\$	-	\$	-
Current Rate		Actual Cost		Actual Cost

Distribution Valve box damage			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	-	\$ -
Office Supplies	\$	-	\$ -
Office Labor	\$	-	\$ -
Transportation	\$	-	\$ -
Misc.	\$	-	\$ -
Total Revised Charge*	\$	-	\$ -

Current Rate	Actual Cost	Actual Cost
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Meter Re-read Charge (At customer's request)			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor (Hourly pay to employee)	\$	25.00	\$ -
Office Supplies	\$	-	\$ -
Office Labor	\$	19.44	\$ -
Transportation	\$	-	\$ -
Misc.	\$	-	\$ -
Total Revised Charge*	\$	44.44	\$ -

Current Rate	\$	45.00
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Meter Re-read Charge (After hours)			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor (Overtime rate)	\$	37.50	\$ 37.50
Office Supplies	\$	-	\$ -
Office Labor	\$	29.16	\$ -
Transportation	\$	12.69	\$ 12.69
Misc.	\$	-	\$ -
Total Revised Charge*	\$	79.35	\$ 51.00

Current Rate	\$	75.00
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Meter Test Charge			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor (Wage/time outside employee)	\$	30.56	\$ 30.56
Office Supplies	\$	-	\$ -

Office Labor	\$	19.44	\$	-
Transportation	\$	25.00	\$	25.00
Misc.	\$	-	\$	-
Total Revised Charge*	\$	75.00	\$	56.00

Current Rate	\$	75.00		
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Disconnect/Reconnect for non-payment Charge

		Utility Revised Charge		Staff Revised Charge
Field Materials (Lock)	\$	12.00	\$	12.00
Field Labor (Disconnect/reconnect travel time)	\$	25.00	\$	-
Office Supplies (Ink/Paper)	\$	5.00	\$	5.00
Office Labor	\$	9.74	\$	-
Transportation	\$	-	\$	-
Misc. (Fuel exp.)	\$	15.00	\$	15.00
Total Revised Charge*	\$	66.74	\$	32.00

Current Rate	\$	50.00		
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Reconnect for non-payment Charge (After Hours)

		Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$	-
Field Labor (Overtime wage)	\$	37.50	\$	37.50
Office Supplies	\$	-	\$	-
Office Labor	\$	9.72	\$	-
Transportation	\$	22.78	\$	22.78
Misc.	\$	-	\$	-
Total Revised Charge*	\$	70.00	\$	61.00

Current Rate	\$	70.00		
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Returned Check Charge

		Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$	-
Field Labor	\$	-	\$	-
Office Supplies (Postage/Envelope/Paper/Ink)	\$	6.70	\$	6.70
Office Labor	\$	19.44	\$	-
Transportation	\$	-	\$	-
Misc.	\$	-	\$	-
Total Revised Charge*	\$	26.14	\$	7.00

Current Rate	\$	35.00		
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Service Call/Investigation			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	25.00	\$ -
Office Supplies (Computer/Paper)	\$	-	\$ -
Office Labor (Data entry)	\$	9.72	\$ -
Transportation	\$	25.00	\$ 25.00
Misc.	\$	-	\$ -
Total Revised Charge*	\$	59.72	\$ 25.00
Current Rate	\$	55.00	

Service Call/Investigation (After Hours)			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor (Overtime 2hr)	\$	50.00	\$ 50.00
Office Supplies	\$	-	\$ -
Office Labor (19.44 @ 2)	\$	38.88	\$ -
Transportation	\$	25.00	\$ 25.00
Misc.	\$	-	\$ -
Total Revised Charge*	\$	113.88	\$ 75.00
Current Rate	\$	85.00	

Inspection Fee (New Meter Sets)			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor (Test for no leaks and customers connection to meter)	\$	25.00	\$ -
Office Supplies	\$	-	\$ -
Office Labor	\$	-	\$ -
Transportation	\$	-	\$ -
Misc.	\$	-	\$ -
Total Revised Charge*	\$	25.00	\$ -
Current Rate	\$	25.00	

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00203 DATED FEB 10 2025

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 South Logan Water Association, Inc. All other rates and charges not specifically mentioned herein are recommended to remain the same.

Monthly Water Rates

5/8" x 3/4" Meters

First	2,000	gallons	\$26.93	Minimum Bill
Next	8,000	gallons	0.00936	Per Gallon
Next	40,000	gallons	0.00903	Per Gallon
Next	50,000	gallons	0.00870	Per Gallon
Over	100,000	gallons	0.00837	Per Gallon

1" Meters

First	2,000	gallons	\$50.91	Minimum Bill
Next	8,000	gallons	0.00936	Per Gallon
Next	40,000	gallons	0.00903	Per Gallon
Next	50,000	gallons	0.00870	Per Gallon
Over	100,000	gallons	0.00837	Per Gallon

1 1/2" Meters

First	2,000	gallons	\$72.47	Minimum Bill
Next	8,000	gallons	0.00936	Per Gallon
Next	40,000	gallons	0.00903	Per Gallon

Next 50,000 gallons 0.00870 Per Gallon

Over 100,000 gallons 0.00837 Per Gallon

2" Meters

First 2,000 gallons \$111.48 Minimum Bill

Next 8,000 gallons 0.00936 Per Gallon

Next 40,000 gallons 0.00903 Per Gallon

Next 50,000 gallons 0.00870 Per Gallon

Over 100,000 gallons 0.00837 Per Gallon

3" Meters

First 2,000 gallons \$149.96 Minimum Bill

Next 8,000 gallons 0.00936 Per Gallon

Next 40,000 gallons 0.00903 Per Gallon

Next 50,000 gallons 0.00870 Per Gallon

Over 100,000 gallons 0.00837 Per Gallon

4" Meters

First 2,000 gallons \$193.96 Minimum Bill

Next 8,000 gallons 0.00936 Per Gallon

Next 40,000 gallons 0.00903 Per Gallon

Next 50,000 gallons 0.00870 Per Gallon

Over 100,000 gallons 0.00837 Per Gallon

Nonrecurring Charges	Revised Charge
Connection/Turn-on Charge (After Hours)	\$ 75.00
Meter Relocation Charge	Actual Cost

Damage to Meter, Meter Setter, Box or Lid (Field visit plus equipment replaced)	Actual Cost
Distribution Valve box damage	Actual Cost
Meter Re-read Charge (After hours)	\$ 51.00
Meter Test Charge	\$ 56.00
Disconnect/Reconnect for non-payment Charge	\$ 32.00
Reconnect for non-payment Charge (After Hours)	\$ 61.00
Returned Check Charge	\$ 7.00
Service Call/Investigation	\$ 25.00
Service Call/Investigation (After Hours)	\$ 75.00

Meter Connection/Tap-On Charges

5/8-Inch X 3/4-Inch Meter	\$ 1,104.00
2-Inch Meter	\$ 2,936.00

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