

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EDMONSON	)	CASE NO.
COUNTY WATER DISTRICT FOR A RATE	)	2024-00219
ADJUSTMENT PURSUANT TO 807 KAR 5:076	)	

ORDER

On July 23, 2024,<sup>1</sup> Edmonson County Water District (Edmonson District) filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,<sup>2</sup> Edmonson District used the calendar year ended December 31, 2023, as the basis for its application. The application was filed, in part, pursuant to the Commission’s Order in Case No. 2021-00463 which required Edmonson District to file an application for an adjustment of its base rates for its water division by February 14, 2025.<sup>3</sup>

---

<sup>1</sup> Edmonson District tendered its application on July 19, 2024. By letter dated July 22, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on July 23, 2024.

<sup>2</sup> 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.

<sup>3</sup> Case No. 2021-00463, *Electronic Application of Edmonson County Water District to Issue Securities for the Purpose of Refinancing Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Feb. 3, 2022) final Order at 10, ordering paragraph 5.

Edmonson District's Water Division's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2021-00013.<sup>4</sup> Since that matter, Edmonson District has not adjusted its water division rates.

In its application, Edmonson District requested rates that would increase its annual water sales revenue by \$1,037,350 or 25.93 percent.<sup>5</sup>

To ensure an orderly review of the application, the Commission established a procedural schedule by Order dated August 6, 2024. Edmonson District responded to two requests for information from Commission Staff on September 9, 2024, and October 7, 2024.<sup>6</sup> Additionally, Edmonson District tendered several supplemental filings addressing issues relevant to the application.<sup>7</sup>

On November 18, 2024, Commission Staff issued its report (Commission Staff's Report) summarizing its recommendations regarding Edmonson District's requested rate adjustment. Commission Staff recommended that Edmonson District's adjusted test-year operations supported a total revenue requirement of \$5,331,314, and that an annual revenue increase of \$957,831, or 23.35 percent, to pro forma present rate revenues was necessary to generate the Overall Revenue Requirement.<sup>8</sup>

---

<sup>4</sup> Case No 2021-00463, *Electronic Application of Edmonson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 4, 2021).

<sup>5</sup> Application, Attachment 4, Revenue Requirements Table.

<sup>6</sup> Edmonson District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Sep. 9, 2024). Edmonson District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Oct. 7, 2024).

<sup>7</sup> Additional training certificates for Edmonson County Water District commissioners (filed Sept. 10, 2024); Confirmation of Consultant Performing Cost of Service Study (filed Oct. 23, 2024); Response to Staff Report (filed Nov. 27, 2024); and Explanation of Standby Pay Computation (filed Dec. 3, 2024).

<sup>8</sup> Commission Staff's Report at 29.

Edmonson District's Rate Design Model was prepared by Alan Vilines, representing Kentucky Rural Water Association (KRWA).<sup>9</sup> The study was designed to allocate the expenses to customer classes in proportion to the cost of providing service to each class.<sup>10</sup> The rates were developed following 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 to ratemaking and a reasonable method of designing rates for small water utilities.<sup>11</sup> Using this method, Edmonson District allocated the Overall Revenue Requirement to its customer classes in proportion to the cost of providing service to those customer classes.

On November 25, 2024, a public comment was filed by David Rennaker.<sup>12</sup> Mr. Rennaker stated that the rate increase was not appropriate and asked the Commission to hold a meeting in Edmonson County to discuss the proposed rate increase.<sup>13</sup>

On November 27, 2024, Edmonson District filed its response to Commission Staff's Report.<sup>14</sup> In its written comments, Edmonson District stated that it did not agree

---

<sup>9</sup> Confirmation of Consultant Performing Cost of Service Study (filed Oct. 23, 2024).

<sup>10</sup> Application, Attachment #4, Table C through Table K.

<sup>11</sup> 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.

<sup>12</sup> David Rennaker's Public Comment, 20241120\_David Rennaker Request for Public Meeting.pdf., (filed Dec. 2, 2024).

<sup>13</sup> Administrative regulation 807 KAR 5:076 governs the alternative rate adjustment proceeding and does not contain a requirement to hold a public meeting.

<sup>14</sup> Edmonson District's Response to Commission Staff's Report (filed Nov. 27, 2024), Read\_First\_Response\_to\_Staff\_Report\_Cover\_Letter.pdf.

with the Monthly Water Service Rates listed in the Commission Staff's Report, Appendix B, Edmonson District stated that the Commission Staff's calculated rates would generate \$676,460 or 13.4 percent less than the Revenue Requirement.<sup>15</sup>

Edmonson District also provided copies of the fiscal court minutes from Edmonson County and Grayson County that authorized compensation for its Board of Commissioners (Board). Edmonson District requested that the revenue requirement be increased by \$30,000 to reflect the authorized salaries.<sup>16</sup>

Edmonson District also provided explanation and calculations for the on-call employees,<sup>17</sup> and requested that the Revenue Requirement be increased by \$11,700 to reflect the standby pay.<sup>18</sup>

Edmonson District stated that it did not agree with the removal of certain labor expenses from nonrecurring charges but did not wish to contest the adjustment.<sup>19</sup> Edmonson District concurred with the remainder of findings in Commission Staff's

---

<sup>15</sup> Edmonson District's Response to Commission Staff's Report (filed Nov. 27, 2024), Read\_First\_Response\_to\_Staff\_Report\_Cover\_Letter.pdf, Item 1.

<sup>16</sup> Edmonson District's Response to Commission Staff's Report (filed Nov. 27, 2024), Read\_First\_Response\_to\_Staff\_Report\_Cover\_Letter.pdf, Item 2.

<sup>17</sup> Explanation of Standby Pay Computation, (filed Dec. 3, 2024), Standby\_Pay\_Computation.pdf.

<sup>18</sup> Edmonson District's Response to Commission Staff's Report (filed Nov. 27, 2024), Read\_First\_Response\_to\_Staff\_Report\_Cover\_Letter.pdf, Item 3.

<sup>19</sup> Edmonson District's Response to Commission Staff's Report (filed Nov. 27, 2024), Read\_First\_Response\_to\_Staff\_Report\_Cover\_Letter.pdf, Item 4.

Report,<sup>20</sup> and waived its right to request an informal conference or hearing.<sup>21</sup> 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."<sup>22</sup> 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

Edmonson District is a water and sewer utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water service to approximately 11,468 residential customers and two wholesale customers that reside in Butler, Edmonson, Grayson, Hart, and Warren counties,<sup>23</sup> as well as retail wastewater service to approximately 57 residential customers that reside in

---

<sup>20</sup> Edmonson District's Response to Commission Staff's Report (filed Nov. 27, 2024), Read\_First\_Response\_to\_Staff\_Report\_Cover\_Letter.pdf, Item 5.

<sup>21</sup> Edmonson District's Response to Commission Staff's Report (filed Nov. 27, 2024), Read\_First\_Response\_to\_Staff\_Report\_Cover\_Letter.pdf, Item 6.

<sup>22</sup> *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).

<sup>23</sup> *Annual Report of Edmonson District Water Division to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Water Report) at 12 and 58.

Edmonson County, Kentucky.<sup>24</sup> Edmonson District currently purchases its water from Green River Valley Water District (Green River Vally District).<sup>25</sup>

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2023 Annual Water Report, Edmonson District reported a water loss of 32.0730 percent.<sup>26</sup> 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 Edmonson District is \$145,558, while the annual cost of water loss in excess of 15 percent is \$77,483.

Description	Purchased Water	Purchased Power	Chemicals	Total
Total Adjusted Expenses	\$ 5,788	\$ 307,539	\$ 140,507	\$ 448,046
Water Loss Percent	32.0730%	32.0730%	32.0730%	32.0730%
Total Water Loss	<u>\$ 1,856</u>	<u>\$ 98,637</u>	<u>\$ 45,065</u>	<u>\$ 145,558</u>

Description	Purchased Water	Purchased Power	Chemicals	Total
Total Adjusted Expenses	\$ 5,788	\$ 307,539	\$ 140,507	\$ 448,046
Water Loss in Excess of 15%	17.0730%	17.0730%	17.0730%	17.0730%
Disallowed Water Loss	<u>\$ 988</u>	<u>\$ 52,506</u>	<u>\$ 23,989</u>	<u>\$ 77,483</u>

---

<sup>24</sup> *Annual Report of Edmonson District Wastewater Division to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Sewer Report) at 9 and 25.

<sup>25</sup> 2023 Annual Report at 63.

<sup>26</sup> 2023 Annual Water Report at 66.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold.<sup>27</sup> While Commission Staff would normally propose the implementation of a water loss surcharge to combat the excess water loss; Edmonson District submitted a water loss reduction plan that explains the steps it has already implemented to combat the water loss.<sup>28</sup> Edmonson District is currently working to update the billing system, install zone metering, connect zone meters to SCADA, develop a geographic information system (GIS) mapping system, install main line pressure regulators, and stated it will continue to commit staff specifically to monitor water loss.<sup>29</sup> Therefore, the Commission does not recommend implementing a Water Loss Surcharge, since Edmonson District is already implementing several procedures that are designed he help reduce excess water loss.

#### TEST PERIOD

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

---

<sup>27</sup> See generally, Commission final Orders for rate applications from 2017-present for language explaining the greater emphasis on encouraging efforts to reduce water loss and including the approximate amount of money the lost water represented to the utility. Case No. 2017-00176, *Electronic Application of Estill County Water District No. 1 for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 20, 2017), Order at 4.

<sup>28</sup> Edmonson District's Response to Staff's First Request, Item 19, 19\_Water\_Loss\_Reduction\_Plan.pdf.

<sup>29</sup> Edmonson District's Response to Staff's First Request, Item 19, 19\_Water\_Loss\_Reduction\_Plan.pdf.

SUMMARY OF REVENUE AND EXPENSES

The Commission Staff’s Report summarizes Edmonson District’s pro forma income statement as follows.

Description	2023 Test Year	Total Proposed Adjustments	Commission Staff's Pro Forma
Total Operating Revenues	\$ 4,111,969	\$ 55,954	\$ 4,167,923
Total Operating Expenses ( )	(4,050,081)	(286,613)	(4,336,694)
Net Operating Income	61,888	(230,659)	(168,771)
Interest and Dividend Income	174,587	-	174,587
Net Nonutility Income	110,572	-	110,572
Miscellaneous Nonutility Expense	79,599	-	79,599
Income Available to Service Debt	<u>\$ 426,646</u>	<u>\$ (230,659)</u>	<u>\$ 195,987</u>

REVIEW AND MODIFICATION OF  
COMMISSION STAFF’S RECOMMENDATIONS

Edmonson District proposed adjustments to revenues and expenses to reflect current and expected operating conditions. In the Commission Staff’s Report, Commission Staff recommended additional adjustments. Upon review of Commission Staff’s Report and the response from Edmonson District to the Commission Staff’s Report, the Commission determined that three additional adjustments are necessary to the revenue requirement, as well as a recalculation of the Rates due to a formulaic error. First, Salaries and Wages – Officers, subsequent to the issuance of Commission Staff’s Report, Edmonson District contacted the fiscal courts for Grayson and Edmonson counties and obtained the fiscal court minutes that authorized the compensation for the Commissioners.<sup>30</sup> This information was provided in response to the Commission Staff’s

---

<sup>30</sup> Edmonson District’s Response to Commission Staff’s Report (filed Nov. 27, 2024), Read\_First\_Response\_to\_Staff\_Report\_Cover\_Letter.pdf, Item 2.



Report and results in a \$30,000 increase to the Revenue Requirement. Second, Edmonson District provided justification, and calculation for the determination of its standby duty pay in response to the Commission Staff's Report, resulting in an increase to the Revenue Requirement of \$11,700. Third, due to the inclusion of the standby duty pay and the officer's salaries, payroll taxes increased, which resulted in an increase to the Revenue Requirement of \$3,190. The sum of the three adjustments resulted in a net increase to the Revenue Requirement of \$44,890 as shown in the table below. The Rates are recalculated based on the increased Revenue Requirement and the correction of the formulaic error affecting the proposed rates set forth in the Commission Staff's Report.

Description	2023 Test Year	Total Adjustments	Commission Staff's Pro Forma	Commission Approved Adjustments	Commission Approved Pro Forma
Operating Revenues					
Metered Retail Sales	\$ 3,934,832	\$ 65,282	\$ 4,000,114	\$ -	\$ 4,000,114
Sales for Resale	102,205	2	102,207	-	102,207
Other Revenues					
Forfeited Discounts	59,316	406	59,722	-	59,722
Other	15,616	(9,736)	5,880	-	5,880
Total Operating Revenues	4,111,969	55,954	4,167,923	-	4,167,923
Operation and Maintenance					
Salaries and Wages - Employees	1,409,099	248,066	1,657,165	11,700	1,668,865
Salaries and Wages - Officers	27,500	(27,500)	-	30,000	30,000
Employee Pensions	88,572	32,754	121,326	-	121,326
Employee Benefits	253,598	5,610	-	-	-
		12,899	272,107	-	272,107
Purchased Water	4,978	810	-	-	-
		(988)	4,800	-	4,800
Purchased Power	307,539	(52,506)	255,033	-	255,033
Chemicals	140,507	(23,989)	116,518	-	116,518
Materials and Supplies	204,331	-	204,331	-	204,331
Contractual Services - Prof Fees	390,939	-	390,939	-	390,939
Rental of Equipment	9,008	-	9,008	-	9,008
Transportation Expenses	102,586	-	102,586	-	102,586
Insurance - Gen. Liab. & Workers Comp.	61,726	15,559	77,285	-	77,285
Advertising	2,603	-	2,603	-	2,603
Bad Debt	9,311	-	9,311	-	9,311
Miscellaneous	63,070	-	63,070	-	63,070
Total	3,075,367	210,715	3,286,082	41,700	3,327,782
Depreciation Expense	856,606	60,704	917,310	-	917,310
Taxes Other Than Income	118,108	15,194	133,302	3,190	136,492
Total Operating Expenses	4,050,081	286,613	4,336,694	44,890	4,381,584
Net Operating Income	61,888	(230,659)	(168,771)	(44,890)	(213,661.00)
Interest and Dividend Income	174,587	-	174,587	-	174,587
Net Nonutility Income	110,572	-	110,572	-	110,572
Miscellaneous Nonutility Expense	79,599	-	79,599	-	79,599
Income Available to Service Debt	\$ 426,646	\$ (230,659)	\$ 195,987	\$ (44,890)	\$ 151,097

Billing Analysis. In its application, Edmonson District proposed an increase of \$65,282 to Metered Retail Sales and \$2 to Sales for Resale to reflect the current billing analysis.<sup>31</sup> Edmonson District reported total metered water sales and total Sales for Resale for the test year of \$3,934,832 and \$102,205, respectively.<sup>32</sup> Edmonson District provided a billing analysis to calculate a normalized total Metered Retail Sales of \$4,000,114, based on the usage during the test year, less billing adjustments of \$56,670,<sup>33</sup> and using the rates authorized in its current tariff.<sup>34</sup> Edmonson District's billing analysis also calculated normalized total Sales for Resale of \$102,207.<sup>35</sup> Edmonson District provided a detailed list of billing adjustments from the test year, totaling \$56,670.<sup>36</sup> Following a review of the billing analysis and adjustments, Commission Staff agreed with Edmonson's District that the proposed adjustment met the ratemaking criteria of being known and measurable.<sup>37</sup>

The Commission finds that the adjustment and the normalized revenue for Water Sales to Retail Customers are known and measurable amounts, and the adjustment to pro forma Operating Revenues is reasonable and accepted.

Forfeited Discounts. Edmonson District proposed no adjustments to the test year Forfeited Discount amount of \$59,316. Edmonson District provided detailed information

---

<sup>31</sup> Application, Schedule of Adjusted Operations, Adjustment A.

<sup>32</sup> 2023 Annual Water Report at 58.

<sup>33</sup> Application, Attachment 5, Current Billing Analysis.

<sup>34</sup> Application, Attachment 5, Current Billing Analysis.

<sup>35</sup> Application, Attachment 5, Current Billing Analysis.

<sup>36</sup> Edmonson District's Response to Staff's First Request, Item 29\_Billing\_Adjustments.pdf.

<sup>37</sup> Commission Staff's Report at 10–11.

about the number of occurrences and dollar amount of the test year revenue from forfeited discounts or late fees.<sup>38</sup> Edmonson District's response listed 20,660 occurrences in the test year and recorded revenue of \$59,722.<sup>39</sup> Commission Staff recommended an adjustment to increase Forfeited Discounts by \$406 based on the information provided by Edmonson District as the known and measurable revenue recorded during the test year.

The Commission finds that Commission Staff's adjustment is reasonable and should be accepted. Edmonson District's Forfeited Discounts should be increased by \$406 to reflect the amount of late fees reported by Edmonson District during the test year.

Miscellaneous Service Revenues. Edmonson District provided detailed information about the revenue from nonrecurring charges, as well as the other items classified as Miscellaneous Service Revenue. General ledger account #47100 titled Misc. Service Revenues include Reconnect fees, Special Request (Service Call), Reimbursement for parts and labor, Hart County Fiscal Court, Sales and Use taxes, and Water Theft items as revenue.<sup>40</sup> The nonrecurring charges collected are properly considered Other Water Revenue; however, many of the items reported in the test year as miscellaneous service revenue were not recurring.

---

<sup>38</sup> Edmonson District's Response to Staff's First Request, Item 25.

<sup>39</sup> Edmonson District's Response to Staff's First Request, Item 25.

<sup>40</sup> Edmonson District's Response to Staff's First Request, Item 23\_Miscellaneous\_Service\_Revenue.pdf.

Commission Staff recommended that the Commission approve the removal of all income components that will not reoccur. Commission Staff reduced Miscellaneous Service Revenues by \$9,736 as shown in the table below.<sup>41</sup>

Description	Test Year	Adjustment	Proforma
Reconnect Fees	\$5,510	\$0	\$5,510
Service/ Investigation	185	185	370
Reimbursement for Parts & Labor	6,793	(6,793)	0
Hart Co.Fiscal Court	1,674	(1,674)	0
Sales and Use Taxes	546	(546)	0
Water Theft	788	(788)	0
Special Other	120	(120)	0
Total	\$15,616	(\$9,736)	\$5,880

The Commission finds that Commission Staff’s adjustment to decrease other revenues by \$9,736 is reasonable and should be accepted because certain transactions are not expected to recur. They are not indicative of standard utility operations, and therefore not included in the Pro Forma – Other Water Revenues amount.

Salaries and Wages – Employees. In its application, Edmonson District proposed an adjustment to increase Salaries and Wages – Employees by \$302,694<sup>42</sup> to reflect an increase to test year wages, as well as new employees.<sup>43</sup> Edmonson District provided a list of test-year employees,<sup>44</sup> test-year normal and overtime hours worked,<sup>45</sup> the current

<sup>41</sup> Commission Staff’s Report at 12.

<sup>42</sup> Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment B.

<sup>43</sup> Application, Exhibit 4, Schedule of Adjusted Operations, References, Adjustment B.

<sup>44</sup> Edmonson District’s Response to Staff’s First Request, Item 7, 7\_Employees\_Wages\_and\_Benefits.xlsx, Column E.

<sup>45</sup> Edmonson District’s Response to Staff’s First Request, Item 7, 7\_Employees\_Wages\_and\_Benefits.xlsx, Columns H & I.

employees list,<sup>46</sup> and the current wage rates.<sup>47</sup> In addition, subsequent to the filing of the application several employees left employment and new employees were hired.<sup>48</sup> Commission Staff normalized current staffing to 2,080 hours for new full-time employees. Edmonson District has two employees #0074 and #0079 who recently left employment but are expected to be replaced soon; therefore, the positions were included in the calculation.<sup>49</sup> Edmonson District has four employees who work for both the Water and Sewer divisions.<sup>50</sup> Commission Staff allocated the time for these employees based upon the customer count for each division,<sup>51</sup> as shown in the following table.

Division	Customers	Allocation Percentage
Water	11,470	99.506%
Sewer	57	0.494%
Total	11,527	100.000%

Edmonson District also included a total of \$15,000 in bonus pay, \$500 per employee, \$125 per quarter of employment for the year 2023, as 2023 Retropay.<sup>52</sup> This was an end of year bonus that was approved on November 22, 2023, for all employees who worked

---

<sup>46</sup> Edmonson District's Response to Staff's First Request, Item 1d, 1d\_Water\_Rate\_Model\_2024.xlsx, Wages Tab, Column C.

<sup>47</sup> Edmonson District's Response to Staff's First Request, Item 1d, 1d\_Water\_Rate\_Model\_2024.xlsx, Wages Tab, Column D.

<sup>48</sup> Edmonson District's Response to Staff's Second Request, Item 2a through 2f.

<sup>49</sup> Edmonson District's Response to Staff's First Request, Item 1b, 1d\_Water\_Rate\_Model\_2024.xlsx, Wages Tab, Comments for cells C15 and C17.

<sup>50</sup> Edmonson District's Response to Staff's Second Request, Item 5.

<sup>51</sup> 2023 Annual Report at 58. 2023 Annual Sewer Report at 25.

<sup>52</sup> Edmonson District's Response to Staff's First Request, Item 1b, 1d\_Water\_Rate\_Model\_2024.xlsx, Wages Tab, Column H.

during 2023,<sup>53</sup> and was paid out December 12, 2023.<sup>54</sup> Commission Staff recommended removal of the expense in a manner consistent with prior precedent,<sup>55</sup> as the pay was not related to the generation or distribution of water service.

Edmonson District also proposed to include \$11,700 in the calculation for standby Wages.<sup>56</sup> Standby Wages are wages paid to employees that are on call during off hours and are called to service.<sup>57</sup> The on-call hours paid for standby employees should be recorded as part of the hours paid for the employee who worked them during test year, not as a lump sum amount not assigned to any employee.<sup>58</sup> Therefore, Commission Staff did not include the \$11,700 standby pay in the pro-forma calculation, as it was not known or measurable based upon the evidence submitted in the case at the time of the Commission Staff's Report.<sup>59</sup>

Commission Staff calculated a Normalized Salaries and Wages – Employees amount of \$1,657,165. Commission Staff's calculated amount is an increase of \$248,066, which is \$54,628 less than Edmonson District's proposed \$302,694 increase, as shown in the following table.

---

<sup>53</sup> Edmonson District's Response to Staff's Second Request, Item 2e, 2e\_November\_2023\_Minutes.

<sup>54</sup> Edmonson District's Response to Staff's Second Request, Item 2e.

<sup>55</sup> Case 2022-00044, Electronic Application of Big Sandy Water District for an Adjustment of its Water Rates Pursuant to 807 KAR 5:076, (Ky. PSC, Sep. 13, 2022), Order at 9.

<sup>56</sup> Edmonson District's Response to Staff's First Request, Item 1b, 1d\_Water\_Rate\_Model\_2024.xlsx, Wages Tab, Cell I37.

<sup>57</sup> Edmonson District's Response to Staff's Second Request, Item 2f, 2f\_Standby\_Duty\_Policy.

<sup>58</sup> Commission Staff's report at 14–15.

<sup>59</sup> Commission Staff's report at 15.

Emp #	Job Title	Full/Part Time	Current Pay Rate	2023 Reg Hours	Water Division Allocation	Allocated Regular Wages	Current Overtime Rate	2023 Overtime Hours	Allocated Overtime Wages	Total Normalized Allocated Wages
#0113	General Manager	Full Time	\$ 64.90	2,080	100.00%	\$ 134,992	\$ 97.35	-	-	134,992.00
#0043	Office CSR	Full Time	22.90	2,030	100.00%	46,477	34.35	32.89	1,129.77	47,606.92
#0052	Distribution Operator	Full Time	26.04	2,050	99.51%	53,111	39.06	51.11	1,986.48	55,097.00
#0061	WTP Operator	Full Time	27.32	1,937	100.00%	52,905	40.98	111.72	4,578.29	57,483.47
#0064	WTP Operator	Full Time	27.32	2,080	100.00%	56,826	40.98	79.04	3,239.06	60,064.66
#0065	Equipment Operator	Full Time	27.07	2,077	100.00%	56,220	40.61	200.42	8,138.05	64,357.84
#0067	Distribution Supervisor	Full Time	32.73	2,076	99.51%	67,611	49.10	305.84	14,940.97	82,552.45
#0070	Distribution Operator	Full Time	25.04	2,076	99.51%	51,726	37.56	17.95	670.87	52,396.86
#0074	Office CSR	Full Time	21.51	2,063	100.00%	44,381	32.27	64.45	2,079.48	46,460.20
#0075	Office CSR	Full Time	20.22	2,080	100.00%	42,058	30.33	7.09	215.04	42,272.64
#0079	Office Manger	Full Time	26.59	2,063	100.00%	54,862	39.89	64.45	2,570.59	57,432.67
#0081	Distribution Operator	Full Time	25.04	2,078	100.00%	52,033	37.56	255.94	9,613.11	61,645.73
#0082	Distribution Operator	Full Time	25.04	2,077	100.00%	52,004	37.56	124.66	4,682.23	56,686.05
#0083	WTP Chief Operator	Full Time	34.94	2,078	100.00%	72,605	52.41	174.86	9,164.41	81,769.73
#0086	Distribution Operator	Full Time	25.04	2,076	99.51%	51,726	37.56	117.79	4,402.32	56,128.30
#0089	Distribution Laborer OIT	Full Time	21.12	2,080	100.00%	43,930	31.68	13.33	422.29	44,351.89
#0092	WTP OIT	Full Time	21.37	2,068	100.00%	44,188	32.06	425.56	13,641.33	57,829.14
#0094	Bookkeeper	Full Time	27.19	2,076	100.00%	56,452	40.79	42.16	1,719.50	58,171.92
#0096	Office CSR	Full Time	20.29	2,059	100.00%	41,768	30.44	7.21	219.44	41,987.21
#0097	Interim Office Manger	Full Time	22.71	2,050	100.00%	46,557	34.07	22.71	773.62	47,330.93
#0103	WTP OIT	Part Time	19.75	2,080	100.00%	41,080	29.63	223.15	6,610.82	47,690.82
#0107	Equipment Operator	Full Time	21.65	2,080	100.00%	45,032	32.48	59.62	1,936.16	46,968.16
#0108	Distribution Laborer OIT	Full Time	20.25	2,080	100.00%	42,120	30.38	89.46	2,717.35	44,837.35
#0109	Equipment Operator	Full Time	21.65	2,080	100.00%	45,032	32.48	88.46	2,872.74	47,904.74
#0110	Distribution Laborer OIT	Full Time	21.12	2,080	100.00%	43,930	31.68	37.59	1,190.85	45,120.45
#0115	Equipment Operator	Full Time	24.45	2,080	100.00%	50,856	36.68	-	-	50,856.00
#0119	WTP OIT	Full Time	19.75	2,080	100.00%	41,080	29.63	-	-	41,080.00
#0121	WTP OIT	Full Time	19.75	2,080	100.00%	41,080	29.63	-	-	41,080.00
#0123	WTP OIT	Full Time	19.75	2,080	100.00%	41,080	29.63	-	-	41,080.00
#0128	Distribution Laborer OIT	Full Time	21.12	2,080	100.00%	43,930	31.68	-	-	43,929.60
Total				62,053		\$1,557,650		\$ 2,617	\$ 99,515	\$ 1,657,165
	Less: Test Year Salaries and Wages ( )									(1,409,099)
	Commission Staff's Adjustment ( )									248,066
	Edmonson District's Proposed Adjustment ( )									(302,694)
	Difference between Commission Staff's Adjustment and Edmonson District's Adjustment									<u>\$ (54,628)</u>

Commission Staff recommended the Commission accept Commission Staff's \$248,066 adjustment to increase to Salaries and Wages – Employees, because it reflected the test-year hours at current wage rates for current employees.<sup>60</sup>

The Commission finds that Commission Staff's recommendation should be modified to reflect the inclusion of the \$11,700 of standby pay, since Edmonson District explained how the pay is calculated and how it is paid; the standby pay is part of compensation provided to employees.<sup>61</sup> The Commission recalculated the normalized

<sup>60</sup> Commission Staff's Report at 15.

<sup>61</sup> Explanation of Standby Pay Computation (filed Dec. 3, 2024).

Salaries and Wages Expense accounting for the inclusion of the standby pay and determined a pro forma Salaries and Wages Expense of \$1,668,865, which is an increase of \$259,766 over the test-year Salaries and Wages Expense, as shown in the following table.

Emp #	Job Title	Full/Part Time	Current Pay Rate	2023 Reg Hours	Water Division Allocation	Allocated Regular Wages	Current Overtime Rate	2023 Overtime Hours	Allocated Overtime Wages	Total Normalized Allocated Wages
#0113	General Manager	Full Time	\$ 64.90	2,080	100.00%	\$ 134,992	\$ 97.35	-	-	\$ 134,992
#0043	Office CSR	Full Time	22.90	2,030	100.00%	46,477	34.35	32.89	1,129.77	47,607
#0052	Distribution Operator	Full Time	26.04	2,050	99.51%	53,111	39.06	51.11	1,986.48	55,097
#0061	WTP Operator	Full Time	27.32	1,937	100.00%	52,905	40.98	111.72	4,578.29	57,483
#0064	WTP Operator	Full Time	27.32	2,080	100.00%	56,826	40.98	79.04	3,239.06	60,065
#0065	Equipment Operator	Full Time	27.07	2,077	100.00%	56,220	40.61	200.42	8,138.05	64,358
#0067	Distribution Supervisor	Full Time	32.73	2,076	99.51%	67,611	49.10	305.84	14,940.97	82,552
#0070	Distribution Operator	Full Time	25.04	2,076	99.51%	51,726	37.56	17.95	670.87	52,397
#0074	Office CSR	Full Time	21.51	2,063	100.00%	44,381	32.27	64.45	2,079.48	46,460
#0075	Office CSR	Full Time	20.22	2,080	100.00%	42,058	30.33	7.09	215.04	42,273
#0079	Office Manger	Full Time	26.59	2,063	100.00%	54,862	39.89	64.45	2,570.59	57,433
#0081	Distribution Operator	Full Time	25.04	2,078	100.00%	52,033	37.56	255.94	9,613.11	61,646
#0082	Distribution Operator	Full Time	25.04	2,077	100.00%	52,004	37.56	124.66	4,682.23	56,686
#0083	WTP Chief Operator	Full Time	34.94	2,078	100.00%	72,605	52.41	174.86	9,164.41	81,770
#0086	Distribution Operator	Full Time	25.04	2,076	99.51%	51,726	37.56	117.79	4,402.32	56,128
#0089	Distribution Laborer OIT	Full Time	21.12	2,080	100.00%	43,930	31.68	13.33	422.29	44,352
#0092	WTP OIT	Full Time	21.37	2,068	100.00%	44,188	32.06	425.56	13,641.33	57,829
#0094	Bookkeeper	Full Time	27.19	2,076	100.00%	56,452	40.79	42.16	1,719.50	58,172
#0096	Office CSR	Full Time	20.29	2,059	100.00%	41,768	30.44	7.21	219.44	41,987
#0097	Interim Office Manger	Full Time	22.71	2,050	100.00%	46,557	34.07	22.71	773.62	47,331
#0103	WTP OIT	Part Time	19.75	2,080	100.00%	41,080	29.63	223.15	6,610.82	47,691
#0107	Equipment Operator	Full Time	21.65	2,080	100.00%	45,032	32.48	59.62	1,936.16	46,968
#0108	Distribution Laborer OIT	Full Time	20.25	2,080	100.00%	42,120	30.38	89.46	2,717.35	44,837
#0109	Equipment Operator	Full Time	21.65	2,080	100.00%	45,032	32.48	88.46	2,872.74	47,905
#0110	Distribution Laborer OIT	Full Time	21.12	2,080	100.00%	43,930	31.68	37.59	1,190.85	45,120
#0115	Equipment Operator	Full Time	24.45	2,080	100.00%	50,856	36.68	-	-	50,856
#0119	WTP OIT	Full Time	19.75	2,080	100.00%	41,080	29.63	-	-	41,080
#0121	WTP OIT	Full Time	19.75	2,080	100.00%	41,080	29.63	-	-	41,080
#0123	WTP OIT	Full Time	19.75	2,080	100.00%	41,080	29.63	-	-	41,080
#0128	Distribution Laborer OIT Stand-by Pay	Full Time	21.12	2,080	100.00%	43,930	31.68	-	-	43,930
										11,700
Total				<u>62,053</u>		<u>\$1,557,650</u>		<u>\$ 2,617</u>	<u>\$ 99,515</u>	<u>\$ 1,668,865</u>
Less: Test Year Salaries and Wages ( )										(1,409,099)
Commission Approved Adjustment										259,766
Less: Commission Staff's Salaries and Wages ( )										(248,066)
Revenue Requirement Adjustment										<u>\$ 11,700</u>

Salaries and Wages - Officers. In its application, Edmonson District proposed an adjustment to increase Salaries and Wages – Officers by \$2,500.<sup>62</sup> The adjustment was to reflect the normalization of commissioner salaries.<sup>63</sup> Edmonson District’s Board

<sup>62</sup> Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment C.

<sup>63</sup> Application, Exhibit 4, Schedule of Adjusted Operations, References, Adjustment C.



consists of five members, each paid \$6,000 annually.<sup>64</sup> Edmonson District provided a list of the current commissioners and their salaries.<sup>65</sup> However, prior to the issuance of the Commission Staff's Report, Edmonson District was unable to provide the fiscal court minutes that authorized any compensation for Board members.<sup>66</sup> Therefore, there was no evidence on record authorizing commissioners' compensation. Commission Staff decreased Salaries and Wages – Employees' expense by \$30,000, to remove both the test year Salaries and Wages – Officers, as well as Edmonson District's proposed \$2,500 increase. Additionally, Commission Staff recommended Edmonson District address the issue with the fiscal court.<sup>67</sup>

The Commission finds that Commission Staff's recommendation should be modified as addressed below. In response to Commission Staff's Report, Edmonson District contacted the Grayson County<sup>68</sup> and Edmonson County<sup>69</sup> Fiscal Courts and received authorization for Commissioners to receive up to \$6,000 compensation annually if they completed the required training.<sup>70</sup> The Commission finds the submitted documentation provides adequate evidence to support Edmonson District's Board's salaries amounts

---

<sup>64</sup> Application, Exhibit 4, Schedule of Adjusted Operations, References, Adjustment C.

<sup>65</sup> Edmonson District's Response to Staff's First Request, Item 13, 13\_Commissioners\_Wages\_and\_Benefits.xlsx. Edmonson District's Response to Staff's Second Request, Item 7.

<sup>66</sup> Edmonson District's Response to Staff's Second Request, Item 7.

<sup>67</sup> Commission Staff's Report, at 16.

<sup>68</sup> Response to Staff Report, Grayson\_County\_Fiscal\_Court\_Resolution.pdf.

<sup>69</sup> Response to Staff Report, Edmonson\_County\_Fiscal\_Court\_Resolution.pdf.

<sup>70</sup> Edmonson District's Response to Commission Staff's Report (filed Nov. 27, 2024), Read\_First\_Response\_to\_Staff\_Report\_Cover\_Letter.pdf, Item 2.

and approves the adjustment, Edmonson District provided the Commissioner’s training records for the test year to show the commissioners met the training requirements needed to qualify for the \$6,000 annual compensation.<sup>71</sup> The Commission calculated Pro Forma Salaries and Wages – Officers to be \$30,000.

Commissioners	Pro Forma Salaries
Jimmy Mills	\$ 6,000
Jarrold Beatty	6,000
Blake Aubrey	6,000
Darren Dennison	6,000
Josh Brooks	6,000
Total Salaries and Wages - Officers	<u>\$ 30,000</u>

Employee Pensions – Retirement. Edmonson District provides its employees with a Simplified Pension Plan, 401(a) with Nationwide Insurance Company.<sup>72</sup> In its application, Edmonson District proposed an adjustment to increase Employee Pensions by \$38,088,<sup>73</sup> to account for the increase in pro-forma Salaries and Wages - Employees subsequent to the test year.<sup>74</sup> Edmonson District reported \$342,170<sup>75</sup> for Employee

---

<sup>71</sup> Edmonson District’s Response to Staff’s Second Request, Item 15, 15\_Commissioners\_Training.pdf. Also, additional training certificates for Edmonson County Water District commissioners, 14\_DARRIN\_DENNISON\_2024.pdf, 14\_JOSH\_BROOKS\_2024.pdf.

<sup>72</sup> Edmonson District’s Response to Staff’s First Request, Item 13.

<sup>73</sup> Application, Exhibit 4, Schedule of Adjusted Operations, Adjustment B.

<sup>74</sup> Application, Exhibit 4, Schedule of Adjusted Operations, References, Adjustment B.

<sup>75</sup> Application, Attachment 4, Schedule of Adjusted Operations.

Pensions and Benefits, of which \$253,598 is for Benefits<sup>76</sup> and \$88,572<sup>77</sup> is for pensions. Edmonson District contributes 8 percent of a full-time employee's salary per week up to 40 regular work hours.<sup>78</sup> Part-time employees are not eligible for any benefits.<sup>79</sup> Utilizing the \$1,557,650, allocated full time regular wages calculated in the Salaries and Wages adjustment, less \$41,080, for the part-time employee regular wages, and Edmonson District's contribution rate to the 401(a); Commission Staff calculated a Pro Forma Retirement contribution of \$121,326, which is \$32,754 greater than the test year amount, and \$5,334 less than proposed by Edmonson District, as shown in the following table.

Description	Amount
Pro Forma - Full Time Reglar Wages	\$ 1,516,570
Multiplied by: Contribution Rate	8.00%
Contributions	121,326
Less: Test year Contribution	(88,572)
Commission Staff's Adjustment ( )	32,754
Edmonson District's Proposed Adjustment ( )	(38,088)
Difference between Commission Staff's Adjustment and Edmonson District's Adjustment	<u>\$ (5,334)</u>

Commission Staff recommended the Commission accept the \$32,754 increase to Employee Pensions from the test-year amount.<sup>80</sup>

The Commission finds that Commission Staff's adjustment is reasonable and should be accepted. Edmonson District's Employee Benefits – Pensions should be

<sup>76</sup> Edmonson District's Response to Staff's First Request, Item 1b, 1d\_Water\_Rate\_Model\_2024.xlsx, Adj Tab, Cell K33 Employee Pensions and Benefits \$342,170 less Cell K28 401A Retirements \$88,572 = \$342,170.

<sup>77</sup> Edmonson District's Response to Staff's First Request, Item 1b, 1d\_Water\_Rate\_Model\_2024.xlsx, Adj Tab, Cell K28, 401A Retirement \$88,572.

<sup>78</sup> Edmonson District's Response to Staff's Second Request, Item 4.

<sup>79</sup> Edmonson District's Response to Staff's Second Request, Item 4.

<sup>80</sup> Commission Staff's Report at 16–17.

increased by \$32,754 from the test year expense because the known and measurable change is a direct result of changes to Salaries and Wages – Employees for the full-time employees up to 40 hours a week.

Employee Benefits – Insurance Premiums. In its application, Edmonson District proposed an adjustment to increase Employee Pensions and Benefits by \$7,500<sup>81</sup> to reflect the Commission’s utilization of the Bureau of Labor Statistics Report (BLS) as guidance for ratemaking purposes while also including new employee positions.<sup>82</sup> As previously addressed, Edmonson District reported \$342,170<sup>83</sup> for Employee Pensions and Benefits Expense, of which \$253,598 is for Benefits<sup>84</sup> and \$88,572<sup>85</sup> is for pensions. Edmonson District currently provides 100 percent of employees’ health, vision, and dental insurance premiums.<sup>86</sup> Each employee has the same level of coverage, and the cost of their coverage is the same.<sup>87</sup>

The Commission continues to review employees’ total compensation packages, including both salary and benefits programs, for market and geographic competitiveness to ensure the development of a fair, just and reasonable rate. The Commission has found

---

<sup>81</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment D.

<sup>82</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment D.

<sup>83</sup> Application, Attachment 4, Schedule of Adjusted Operations.

<sup>84</sup> Edmonson District’s Response to Staff’s First Request, Item 1b, 1d\_Water\_Rate\_Model\_2024.xlsx, Adj Tab, Cell K33 Employee Pensions and Benefits \$342,170 less Cell K28 401A Retirements \$88,572 = \$342,170.

<sup>85</sup> Edmonson District’s Response to Staff’s First Request, Item 1b, 1d\_Water\_Rate\_Model\_2024.xlsx, Adj Tab, Cell K28, 401A Retirement \$88,572.

<sup>86</sup> Edmonson District’s Response to Staff’s First Request, Item 4.

<sup>87</sup> Edmonson District’s Response to Staff’s First Request, Item 4.

that, in most cases, 100 percent of employer-funded health care does not meet those criteria.<sup>88</sup> In case No. 2019-00053 the Commission found that employee benefits are unreasonable if they exceed benefits that are market competitive, and in general rate cases filed since 2016 in which a utility sought to recover its expenses for the payment of 100 percent of its employees' health insurance premiums, the Commission has compared those benefits to market competitive benefits and, where appropriate, reduced test-year expenses for health insurance premiums to levels based on national average employee contribution rates.<sup>89</sup> Commission Staff reduced Edmonson District's contribution amount to single health insurance premiums by 20 percent.<sup>90</sup> In addition, Commission Staff reduced Edmonson District's contribution to dental insurance by 60 percent.<sup>91</sup> Edmonson District provided the most recent copy of its health, dental, and vision invoices.<sup>92</sup> In its calculations, Edmonson District utilized 30 employees receiving health, dental, and vision insurance.<sup>93</sup> However, Commission Staff determined one of the employees is part time; therefore, ineligible for insurance benefits, as shown in the Salaries and Wages –

---

<sup>88</sup> Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020); Case No. 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 3, 2021).

<sup>89</sup> Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019), Order at 8.

<sup>90</sup> Bureau of Labor Statistics, Healthcare Benefits, March 2024, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

<sup>91</sup> 6 See Case No. 2017-00263 *Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC Dec. 22, 2017), at 9-10, and *The Willis Benchmarking Survey, 2015*, at 62-63. (<https://www.slideshare.net/annette010/2015-willis-benefits-benchmarking-survey-report>).

<sup>92</sup> Edmonson District's Response to Staff's First Request, Item 5, 5\_Employee\_Health\_Insurance.pdf.

<sup>93</sup> Edmonson District's Response to Staff's First Request, Item 1b, 1d\_Water\_Rate\_Model\_2024.xlsx, Adj Tab, Cell R12.

Employees adjustment and four employees have costs allocated to the sewer division.<sup>94</sup> Accordingly, utilizing the most recent invoice amounts, Commission Staff calculated a final Insurance premium amount of \$202,785 which is \$5,610 more than the test year, as shown in the following table.<sup>95</sup> Commission Staff recommended the Commission accept the Commission Staff's recommended adjustment of \$5,610 increase to Employee Benefits from the test, to reflect a reduction of employer insurance contributions to the BLS average amount, as well as updates to insurance premium rates and employee levels.

Type of Premium	Number of Employees	Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Single Health Insurance	29	\$ 20,627	20%	\$ (4,125)	\$ 16,502
Dental Insurance	29	571	60%	(343)	228
Vision Insurance	29	170	0%	-	170
Total Monthly Pro Forma Premium		21,368		(4,468)	16,900
Multiplied by: 12 Months		12		12	12
Total Annual Pro Forma Premium		<u>\$ 256,416</u>		<u>(53,616)</u>	202,800
Allocated to Sewer Division ( )					(15)
Total Allocated Annual Premium					202,785
Test Year Insurance Premium ( )					(197,175)
Commission Staff's Adjustment ( )					5,610
Edmonson District's Proposed Adjustment ( )					(7,500)
Difference between Commission Staff's Adjustment and Edmonson District's Adjustment					<u>\$ (1,890)</u>

The Commission finds Commission Staff's adjustment is reasonable and should be accepted. Edmonson District's Employee Benefits are increased by \$5,610 from the test-year amount, because it is a known and measurable change consistent with the precedent established in previous cases regarding the evaluation of employees' total

<sup>94</sup> Edmonson District's Response to Staff's Second Request, Item 5.

<sup>95</sup> Commission Staff Report at 19–20.

compensation packages for market and geographic competitiveness to ensure the development of a fair, just and reasonable rate.<sup>96</sup> In addition, it reflects the current expenses based on invoices contained in the record.

Employee Benefits – Uniform and Boot Policy. In its application, Edmonson District proposed an adjustment to increase Employee Pensions and Benefits by \$11,435<sup>97</sup> to reflect the adoption of a new uniform and boot policy for employees.<sup>98</sup> Edmonson District's new uniform policy allows for distribution system and treatment plant operators to receive an annual uniform allowance of \$350 for pants and shirts, and office staff will be allowed an annual allowance of \$250 to purchase company apparel.<sup>99</sup> In addition to the annual allowance an additional \$150 will be allowed for the initial purchase(s) for the distribution and plant employees.<sup>100</sup> Edmonson District's new safety footwear policy will allow employees to be reimbursed for 50 percent of the cost of required footwear, up to a maximum of \$225 yearly.<sup>101</sup>

Using the current employee count provided in the Salaries and Wages – Employee adjustment, Commission Staff determined, Edmonson District currently has

---

<sup>96</sup> Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019) at 8–12.

<sup>97</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment E.

<sup>98</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment E.

<sup>99</sup> Edmonson District's Response to Staff's First Request, Item 16, 16\_Uniform\_Policy.pdf.

<sup>100</sup> Edmonson District's Response to Staff's First Request, Item 16, 16\_Uniform\_Policy.pdf.

<sup>101</sup> Edmonson District's Response to Staff's First Request, Item 16, 16\_Safety\_Footwear\_Reimbursement\_Form.pdf.

30 employees, consisting of 24 field employees and 6 office employees.<sup>102</sup> Edmonson District hired 12 new employees in 2024,<sup>103</sup> are no longer employed or were temporary employees, but were entitled to the \$150 initial uniform purchase.<sup>104</sup> As discussed in the Salaries and Wages – Employee adjustment, four of the employees also perform work for the Sewer Division. Therefore, a portion of the uniform and footwear is allocated to the Sewer Division. Commission Staff calculated the pro forma cost for the uniform and boots as \$18,439, as shown in the following table.<sup>105</sup>

		Uniforms		
Employees	Number	Annual Pay	Total	
Office Staff	6	\$ 250	\$ 1,500	
Field Staff	24	350	8,400	
Total Employees	30		9,900	
2024 New Employees	12	150	1,800	
Sub-total			11,700	
Allocation to Sewer Division ( )			(7)	
Total			<u>\$ 11,693</u>	
		Safety Footwear		
Employees	Number	Annual Pay	Total	
Total Employees	30	\$ 225	6,750	
Allocation to Sewer Division ( )			(4)	
Total			<u>\$ 6,746</u>	
Grand Total			<u>\$ 18,439</u>	

<sup>102</sup> Edmonson District's Response to Staff's First Request, Item 1d, 1d\_Water\_Rate\_Model\_2024.xlsx, Wages Tab, Column C. Also, Edmonson District's Response to Staff's Second Request, Item 2a thru 2f.

<sup>103</sup> Edmonson District's Response to Staff's First Request, Item 7, 7\_Employees\_Wages\_and\_Benefits.xlsx, Column C.

<sup>104</sup> Edmonson District's Response to Staff's Second Request, Item 2a through 2f.

<sup>105</sup> Commission Staff's Report at 21.



Commission Staff recommended an increase to Employee Benefits of \$12,899, which is \$1,464 more than proposed by the Edmonson District.

Description	Amount
Pro Forma Uniforms and Boots	\$ 18,439
Less: Test year Uniform and Boots ( )	(5,540)
Commission Staff's Adjustment ( )	12,899
Edmonson District's Proposed Adjustment ( )	(11,435)
Difference between Commission Staff's Adjustment and Edmonson District's Adjustment	<u>\$ 1,464</u>

The Commission finds the Commission's Staff's adjustments are reasonable and should be accepted. Edmonson District's Employee Benefits should be increased by \$12,899 above the test year amount because the change is known and measurable as a direct result of the normalization of the adoption of the new uniform and boots policy.

Purchased Water Expense. During the test year, Edmonson District reported a Purchased Water expense of \$4,978.<sup>106</sup> Edmonson District produced almost all its own water.<sup>107</sup> During the test year, Green River Valley District increased its wholesale rate to Edmonson District to \$0.00301 per gallon.<sup>108</sup> Commission Staff calculated Purchased Water expense using the test year gallons purchased of 1,923,000<sup>109</sup> and the current rates for a total \$5,788 which is an \$810 increase to Purchased Water Expense as shown in the table below.

<sup>106</sup> Application, Attachment 4, Schedule of Adjusted Operations.

<sup>107</sup> 2023 Annual Report at 66.

<sup>108</sup> Green River Valley Water District No. 1 Tariff, P.S.C. Ky. No. 1, Sheet No. 4 (Issued Jan. 12, 2024), effective October 30, 2023.

<sup>109</sup> 2023 Annual Report at 66.

Description	Total
Gallons	1,923,000
Current Purchase Rate	\$ 0.00301
Pro Forma Cost	5,788
Test Year Purchase Cost ( )	(4,978)
Increase in Purchase Cost	<u>\$ 810</u>

Commission Staff recommended the Commission accept the proposed \$810 increase to Purchased Water expense to reflect the normalization of purchased water gallons at current rates.<sup>110</sup>

The Commission finds that Commission’s Staff’s adjustments are reasonable and should be accepted. Edmonson District’s Purchased Water expense should be increased by \$810 above the test year amount because the change is known and measurable, as it is a direct result of Edmonson District’s test year purchased water cost.

Excess Water Loss. In its application, Edmonson District proposed adjustments to decrease Purchased Water expense by \$850,<sup>111</sup> Purchased Power expense by \$52,506<sup>112</sup> and Chemicals expense by \$23,989.<sup>113</sup> The adjustments are to reflect the expense for water loss in excess of 15 percent.<sup>114</sup> During the test year, Edmonson District reported water loss of 32.0730 percent.<sup>115</sup> As noted above, Commission regulations state that for ratemaking purposes, expenses for water loss in excess of 15 percent shall not

---

<sup>110</sup> Commission Staff’s Report at 23.

<sup>111</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment F.

<sup>112</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment F.

<sup>113</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment F.

<sup>114</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment F.

<sup>115</sup> 2023 Annual Report at 66.

be included for ratemaking purposes. Edmonson District proposed to reduce Purchased Water expense by \$850;<sup>116</sup> Commission Staff disagreed with the calculation.<sup>117</sup> As discussed in the Purchased Water expense adjustment, Commission Staff determined a Normalized Purchased Water expense of \$5,788. Therefore, Commission Staff decreased Purchased Water expense by \$988, which is \$138 more than proposed by Edmonson District, as shown in the following table. Additionally, Edmonson District proposed to reduce Purchased Power expense by \$52,506 and Chemical expense by \$23,989, which Commission Staff agreed with both adjustments, as shown in following table.<sup>118</sup>

Description	Purchased Water	Purchased Power	Chemicals Expense	Total
Total Adjusted Expenses	\$ 5,788	\$307,539	\$140,507	\$448,046
Water Loss in Excess of 15%	17.0730%	17.0730%	17.0730%	17.0730%
Commission Staff's Adjustment ( )	(988)	(52,506)	(23,989)	(77,483)
Edmonson District's Proposed Adjustment ( )	850	52,506	23,989	77,345
Difference between Commission Staff's Adjustment and Edmonson District's Adjustment	\$ (138)	\$ -	\$ -	\$ (138)

Commission Staff recommended the Commission accept Commission Staff's calculated \$988 decrease to Purchased Water expense. Commission Staff also recommended that the Commission accept the adjustments proposed by Edmonson District regarding Purchased Power expense and Chemical expense, as shown in the above.<sup>119</sup>

<sup>116</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment F.

<sup>117</sup> Commission Staff's Report at 23–24.

<sup>118</sup> Commission Staff's Report at 23–24.

<sup>119</sup> Commission Staff's Report at 23–24.

The Commission finds Commission Staff’s recommended adjustment is reasonable and should be accepted. Edmonson District’s Purchased Water expense should be decreased by \$988; its Purchased Power expense should be decreased by \$52,506, and its Chemicals Expense should be decreased by \$23,989 because of Commission regulation 807 KAR 5:066, Section 6(3), limiting water loss to 15 percent for ratemaking purposes.

Insurance – General Liability and Workers’ Compensation. In the application, Edmonson District proposed an adjustment to increase Insurance – General Liability and Workers’ Compensation by \$15,559,<sup>120</sup> in order to reflect an increase in its liability and property insurance beginning July 2024.<sup>121</sup> Edmonson District provided a summary of the premiums for the policy years July 2023 through June 2024, as well as the renewal premiums.<sup>122</sup> The premium summary provides an increase in the annual insurance for Property, cyber liability and workers’ compensation of \$15,559. Commission Staff agrees with the proposed adjustment increasing Insurance – General Liability and Workers’ Compensation by \$15,559, as shown in the following table.

Description	Amount
Renewal Premium	\$ 79,401
Current Premium ( )	(63,842)
Increase	<u>\$ 15,559</u>

---

<sup>120</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment G.

<sup>121</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment G.

<sup>122</sup> Edmonson District’s Response to Staff’s First Request, Item 6a, 6a\_P\_L\_Insurance\_Renewal.pdf.

Commission Staff recommended the Commission accept the Edmonson District's proposed \$15,559 increase to Insurance – General Liability and Workers' Compensation because the known and measurable change is a direct result of the increase of insurance premiums subsequent to the test year.<sup>123</sup>

Depreciation Expense. In the application, Edmonson District proposed an adjustment to increase Depreciation Expense by \$63,376,<sup>124</sup> to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled Depreciation Practices for Small Utilities (NARUC Study).<sup>125</sup> 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.<sup>126</sup> Upon examination, Commission Staff agreed with Edmonson District's methodology to adjust depreciation expense. However, when Commission Staff calculated Depreciation Expense, it calculated a Depreciation Expense of \$917,310. Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. The difference is to account for fully depreciated assets, and full year depreciation on

---

<sup>123</sup> Commission Staff Report at 25–26.

<sup>124</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment H.

<sup>125</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment H.

<sup>126</sup> 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.

asset additions. Therefore, Commission Staff increased Edmonson District's Depreciation Expense by \$60,704, which is \$2,672 less than proposed by Edmonson District, as shown in the following table.<sup>127</sup> Commission Staff recommended the Commission accept the Commission Staff's \$60,704 increase to Depreciation Expense, to reflect the NARUC service lives for purposes of calculating Depreciation Expense.<sup>128</sup>

Asset Class	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Structures and Improvements	35 - 40	\$ 97,336	\$ (415)	\$ 96,921
Lake, River, and Other Intakes	35 - 45	16,559	(114)	16,445
Supply Mains	50 - 75	4,109	-	4,109
Power Operated Equipment	10 - 15	12,698	1,227	13,925
Pumping Equipment	20	32,587	-	32,587
Other Pumping Equipment	25	7,390	2,184	9,574
Water Treatment Equipment	20 - 35	27,710	1,475	29,185
Reservoirs and Tanks	30 - 60	134,607	-	134,607
Transmission & Distribution Mains	50 - 75	335,803	(104)	335,699
Services	30 - 40	26,706	703	27,409
Meters	35 - 45	440	-	440
AMR Meters	20	45,848	37,763	83,611
Meter Installation	40 - 50	42,892	(5,156)	37,736
Hydrants	40 - 60	4,179	(9)	4,170
Furniture and Equipment	20 - 25	887	(39)	848
Computers, Electronics, and software	10	7,932	9,025	16,957
Transportation	7	46,192	13,130	59,322
Tools, Shop, & Garage Equipment	15 - 20	1,068	703	1,771
Laboratory Equipment	15 - 20	5,911	331	6,242
Communication Equipment	10	5,752	-	5,752
Total		<u>\$ 856,606</u>	<u>\$ 60,704</u>	<u>\$ 917,310</u>
Less: Edmonson District's Proposed Adjustment			(63,376)	
Difference between Commission Staff's Adjustment and Edmonson District's Adjustment			<u>\$ (2,672)</u>	

The Commission finds that Commission Staff's recommended adjustments are reasonable and should be accepted. Edmonson District's Depreciation Expense should be increased by \$60,704 because the change is known and measurable and is a direct

<sup>127</sup> Commission Staff Report at 24–25.

<sup>128</sup> Commission Staff Report at 24–25.

result of aligning Edmonson District’s non depreciated capital asset’s useful lives with the NARUC recommended useful lives.

Taxes other than Income – Federal Insurance Contributions Act (FICA). In the application, Edmonson District proposed an adjustment to increase Taxes Other than Income by \$21,668<sup>129</sup> to account for changes in Payroll taxes as a result of changes to Salaries and Wages – Employees.<sup>130</sup> However, as explained in the Salaries and Wages – Employees; and Salaries and Wages – Commissioner’s adjustments above, Commission Staff calculated Employee’s Wages of \$1,657,165, and Commissioner’s Wages of \$0. Therefore, Commission Staff calculated an increase to Taxes Other Than Income of \$15,194, which is \$6,474 less than proposed by Edmonson District, as shown in the following table.<sup>131</sup>

Description	Amount
Allocated Salaries and Wages - Employees	\$ 1,657,165
Allocated Salaries and Wages - Officers	-
Total Allocated Pro Forma Salaries	1,657,165
Multiply by: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Payroll Taxes	126,773
Plus: Taxes Other Than Inc/PSA	5,330
Plus: Taxes Other Than Inc/KUC	1,200
Total Pro Forma Taxes other than Income	133,302
Less: Test Year Taxes Other Than Income ( )	(118,108)
Commission Staff’s Adjustment	15,194
Edmonson District’s Proposed Adjustment ( )	(21,668)
Difference between Commission Staff’s Adjustment and Edmonson District’s Adjustment	<u>\$ (6,474)</u>

<sup>129</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment B.

<sup>130</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment B.

<sup>131</sup> Commission Staff Report at 26–27.

Commission Staff recommended the Commission approve the adjustment to increase Taxes Other Than Income by \$15,194, because it is a direct result from changes to Salaries and Wages – Employees.<sup>132</sup>

The Commission finds that Commission Staff's recommendation should be modified. As discussed in the Salaries and Wages – Employees, and Salaries and Wages – Officers adjustments above, Edmonson District provided evidence for the inclusion of the commissioners' salaries and the standby pay for employees. Therefore, Taxes other than Income expense will require a corresponding adjustment. The Commission calculated Pro Forma Taxes other than Income to be \$136,492, which is an increase of \$18,384 over the test-year Taxes other than Income, as shown in the following table.

Description	Amount
Allocated Salaries and Wages - Employees	\$ 1,668,865
Allocated Salaries and Wages - Officers	30,000
Total Allocated Pro Forma Salaries	1,698,865
Multiply by: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Payroll Taxes	129,963
Plus: Taxes Other Than Inc/PSA	5,330
Plus: Taxes Other Than Inc/KUC	1,200
Total Pro Forma Taxes other than Income	136,492
Less: Test Year Taxes Other Than Income ( )	(118,108)
Commission Approved Adjustment	18,384
Less: Commission Staff's Adjustment	(15,194)
Revenue Requirement Adjustment	<u>\$ 3,190</u>

### SUMMARY OF ADJUSTMENTS

Based upon the Commission's findings discussed above, the following table summarizes Edmonson District's adjusted pro forma:

---

<sup>132</sup> Commission Staff's Report at 26–27.



Description	Commission Staff's Pro Forma	Commission Approved Adjustments	Commission Approved Pro Forma
Total Operating Revenues	\$ 4,167,923	\$ -	\$ 4,167,923
Total Operating Expenses ( )	(4,336,694)	(44,890)	(4,381,584)
Net Operating Income	(168,771)	(44,890)	(213,661)
Interest and Dividend Income	174,587	-	174,587
Net Nonutility Income	110,572	-	110,572
Miscellaneous Nonutility Expense	79,599	-	79,599
Income Available to Service Debt	\$ 195,987	\$ (44,890)	\$ 151,097

OVERALL REVENUE REQUIREMENT AND  
REQUIRED REVENUE INCREASE

The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations.<sup>133</sup> This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital;<sup>134</sup> (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense. The table below reflects Commission Staff's, and the Commission approved calculated revenue requirement.

<sup>133</sup> 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).

<sup>134</sup> The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm'n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky. 1986). Although a water district's lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account's balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district's general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

Description	Commission Staff's Report	Commission Approved
Pro Forma Operating Expenses	\$ 4,336,694	4,381,584
Average Annual Principal and Interest Payments	828,850	828,850
Additional Working Capital at 20%	165,770	165,770
Total Revenue Requirement	5,331,314	5,376,204
Less: Other Operating Revenue ( )	(65,602)	(65,602)
Nonutility Income less Expense ( )	(30,973)	(30,973)
Interest Income ( )	(174,587)	(174,587)
Revenue Required From Water Sales	5,060,152	5,105,042
Revenue from Sales at Present Rates ( )	(4,102,321)	(4,102,321)
Required Revenue Increase / (Decrease)	\$ 957,831	\$1,002,721
Percentage Increase / (Decrease)	23.35%	24.44%

1. Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Edmonson District had six Bonds with United States Department of Agriculture (USDA) Rural Development (RD),<sup>135</sup> and three outstanding Kentucky Rural Water Finance Corporation (KRWFC) bonds.<sup>136</sup> In its application,

<sup>135</sup> Case No. 2001-00037, *The Application of Edmonson County Water District, Edmonson, Warren, Grayson and Hart Counties, Kentucky, (1) for a Certificate of Public Convenience and Necessity Authorizing Construction of Major Additions and Improvements to its Water System; (2) Seeking Approval of Revised Water Service Rates and Charges; and (3) Seeking Approval of the Issuance of Certain Securities* (Ky. PSC Mar. 2, 2001). Case 2010-00149, *Application of Edmonson County Water District for A Certificate of Public Convenience and Necessity Authorizing Construction of Major Additions and Improvements to Its Water System and Approval of the Issuance of Certain Securities* (KY. PSC May 7, 2010). Case 2010-00400, *Application of Edmonson County Water District for A Certificate of Public Convenience and Necessity Authorizing Construction of Major Additions and Improvements to Its Water System and Approval of the Issuance of Certain Securities.* Case 2014-00175, *Application of Edmonson County Water District, Edmonson, Warren, Grayson and Hart Counties, Kentucky for A Certificate of Public Convenience and Necessity Authorizing Construction of Major Additions and Improvements to Its Water System and Seeking Approval of The Issuance of Certain Securities* (Ky. PSC Jun. 27, 2014). Case 2019-00355, *Electronic Application of Edmonson County Water District Pursuant to KRS 278.023 and 807 KAR 5:069 for A Certificate of Public Convenience to Expand Its Water Treatment Plant and Related Waterworks Improvements, And Adjustment of Its Rates for Water Service; and Authorization to Issue Certain Securities* (Ky. PSC Nov. 7, 2019).

<sup>136</sup> Case 2012-00163, *Application of Edmonson County Water District to Issue Securities in The Approximate Principal Amount of \$3,160,000 for the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001,* (Ky. PSC May 30, 2012). Case 2013-00042, *Kentucky Rural Water Finance Corporation Joint Application on Behalf of Certain Water Districts for Authority to Borrow Funds to Refinance Certain Outstanding Indebtedness to the Kentucky Rural Water Finance Corporation* (Ky. PSC Apr. 24, 2013). Case 2019-00433, *Electronic*

Edmonson District requested recovery of the average annual principal and interest on its indebtedness based on an average of the annual principal, and interest and fee payments for the three years 2025 through 2027.<sup>137</sup> Commission Staff calculated the average annual principal and interest on a three-year average for the years 2025 through 2027, and agreed with Edmonson District’s proposed Average Annual Principal and Interest Payments of \$828,850, as shown in the following table.<sup>138</sup>

Loan	2025		2026		2027		Total
	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	
RD Series 2001A	\$ 103,000	\$ 71,013	\$ 106,000	\$ 67,568	\$ 110,000	\$ 63,993	\$ 521,574
RD Series 2010A	12,000	9,765	12,500	9,484	13,000	9,191	65,940
RD Series 2010B	15,000	11,993	15,500	11,644	16,000	11,284	81,421
KRWFC 2012D	144,583	55,051	149,583	49,846	154,583	44,324	597,970
RD Series 2013A	10,500	8,883	10,500	8,659	11,000	8,426	57,968
RD Series 2013B	3,000	4,125	3,000	4,035	3,000	3,945	21,105
KRWFC 2013B	144,583	15,458	149,583	11,049	159,167	6,143	485,983
RD Series 2019	21,000	14,423	21,000	14,108	21,000	13,793	105,324
KRWFC 2020C	104,583	79,031	109,583	73,592	114,583	67,894	549,266
Totals	\$ 558,249	\$ 269,742	\$ 577,249	\$ 249,985	\$ 602,333	\$ 228,993	2,486,551
3 Year Average							\$ 828,850

The Commission finds Commission Staff’s calculated Average Interest and Principal Payments of \$828,850 should be included in Edmonson District’s Revenue Requirement because the DSC methodology allows for the recovery of the principal and interest payments.

2. Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district’s lenders that are above its average annual

---

*Application of Edmonson County Water District to Issue Securities in the Approximate Principal Amount of \$3,464,000 for the Purpose of Refunding Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001 (KY. PSC Jan. 30, 2020).*

<sup>137</sup> Application, Attachment 4, Revenue Requirements Calculation, Table B, Debt Service Schedule.

<sup>138</sup> Commission Staff’s Report at 29–30.

debt payments. In its application, Edmonson District 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 \$165,770.<sup>139</sup>

Following the Commission’s historic practice,<sup>140</sup> Commission Staff agreed with Edmonson District’s methodology. Therefore, with the adjustment to the average Annual Principal and Interest Payments, \$165,770 should be included in the revenue requirement as shown in the following table.

Description	Commission Staff
Average Annual Principal and Interest	828,850
Times: DSC Coverage Ratio	120%
Total Net Revenues Required	994,620
Less: Average Annual Principal and Interest Payments ( )	(828,850)
Additional Working Capital	<u>\$ 165,770</u>

The Commission finds Commission Staff’s calculated Additional Working Capital of \$165,770 should be included in Edmonson District’s Revenue Requirement because the Additional Working Capital is a direct result of the calculated Annual Debt Principal and Interest payments.

3. Wholesale Sales Revenue. In the application, Edmonson District calculated the Revenue Requirement using the Proposed Wholesale Sales Revenues instead of the test year Wholesale Sales Revenues. Commission Staff did not agree with

---

<sup>139</sup> Application, Attachment 4, Revenue Requirements Table.

<sup>140</sup> 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).

using the proposed Wholesale Revenues, as the projected revenue sales are not a known and measurable amount until after the revenue required is determined and new rates established. Therefore, the revenues at present rate need to be used in the calculation of the Revenue Requirement instead of proposed rates. Commission Staff included the \$102,207 of Revenue from Wholesale Sales at present rates as part of the Revenue from Sales at Present Rates along with the revenues from retail sales at present rate.

The Commission agrees with Commission Staff that all expenses and revenues at existing rates, including wholesale water sales revenues, should be used in the calculation of the revenue requirement.

#### RATE DESIGN

Currently, Edmonson District has two rate classes, retail customers and wholesale customers. Edmonson District's application proposed to change its current uniform rate structure for retail customers from a single customer charge for all meter sizes and a single volumetric rate over 1,500 gallons of water usage, to a tiered rate structure, in which the costs of service are distributed proportionally across meter sizes used.<sup>141</sup> Edmonson District explained that the change to increased minimums for each progressively larger meter size is to recognize and appropriately allocate the costs of testing, maintaining, and replacing larger meters and also to discourage customers from using or requesting a meter size that is larger than needed for the customer's typical usage.<sup>142</sup>

---

<sup>141</sup> Application, Attachment 6.

<sup>142</sup> Edmonson District's Response to Staff's First Request, Item 31.

Edmonson District's Rate Design Model was prepared by Alan Vilines from Kentucky Rural Water Association (KRWA),<sup>143</sup> in order to allocate the expenses to customer classes in proportion with the cost of providing service to each class.<sup>144</sup> The rates were developed following 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 to ratemaking and a reasonable method of designing rates for small water utilities.<sup>145</sup> Using this method, Edmonson District, allocated the Overall Revenue Requirement to its customer classes in proportion to the cost of providing service to those customer classes. This method recognizes that a utility must meet peak demand requirements as well as the customer's average water use. Edmonson 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.<sup>146</sup> This method has been accepted by the Commission in past

---

<sup>143</sup> Confirmation of Consultant Performing Cost of Service Study (filed Oct. 23, 2024).

<sup>144</sup> Application, Attachment #4, Table C through Table K.

<sup>145</sup> 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.

<sup>146</sup> Application, Attachment #4, Table C, System Information.

proceedings<sup>147</sup> and Commission Staff recommended that the Commission accept the method for allocating expenses to the wholesale customer in this case.<sup>148</sup>

The Commission reviewed the rate calculations and found formula errors in the minimum bill cells of the rates presented in the Commission Staff's Report. Correcting the cell formulas results in a revised revenue required from rates of \$5,105,042 to be allocated across meter sizes using the same methodology<sup>149</sup> as Edmonson District used in its proposed COSS. The Commission accepts Edmonson District's proposed COSS as a reasonable basis for allocating costs, but incorporates revisions based upon the adjustments made to the pro-forma expenses explained above as well as the corrections to the formulas used to calculate the rates in Appendix B. The Commission's calculations and resulting rates in Appendix B using the methodology reflected in Edmonson District's rate design,<sup>150</sup> with the authorized revenue requirement being spread across the meter sizes based on the standards from the AWWA M-1 manual.

The Commission finds that the rates set forth in Appendix B to this Order are based upon the revenue requirement as calculated by the Commission and will produce sufficient revenues from water sales to recover the \$5,105,042 Revenue Required from Rates, an approximate 24.44 percent increase overall. The rates set forth in Appendix

---

<sup>147</sup> Case No. 2023-00247, *Electronic Application of Hardin County Water District No. 2 for a General Adjustment of Rates* (Ky. PSC July 29, 2024), final Order.

<sup>148</sup> Commission Staff Report at 7.

<sup>149</sup> Edmonson District's Response to Commission Staff's First Request, Item 1d\_Water\_Rate\_Model, Tab CalcRet.

<sup>150</sup> Edmonson District's Response to Commission Staff's First Request, Item 1d\_Water\_Rate\_Model.

B would increase the residential monthly bill of a typical residential customer using 3,000 gallons per month by \$5.40 from \$25.61 to \$31.01 or approximately 21.07 percent.

### NONRECURRING CHARGES AND METER TAP FEES

The Commission approved the current Nonrecurring Charges in Edmonson District's tariff on January 1, 2023.<sup>151</sup> Edmonson District provided updated cost justification information for the Nonrecurring Charges<sup>152</sup> and Meter Tap charges.<sup>153</sup> The expenses for the installation of the 5/8-inch x 3/4-inch meter tap calculated to a total of \$1,427,<sup>154</sup> which is higher than the current tariff rate of \$1,150. Commission Staff recommended increasing the Tap-On Fee,<sup>155</sup> because the higher rate results in known and measurable rates based on the supporting documentation.<sup>156</sup> Commission Staff reviewed the cost justification information provided by Edmonson District and compared the amounts to nonrecurring charges currently listed in Edmonson District's tariff. Commission Staff observed that the current tariff amounts do not include labor charges. However, due to current transportation costs, the updated Service Call/Investigation fee has increased. The calculation of these adjustments to the Nonrecurring Charges are included in a table provided in Appendix A. Commission Staff's calculated nonrecurring charges and tap fees are listed below.

---

<sup>151</sup> TFS2022-00523 (Ky. PSC Oct. 25, 2022); Edmonson District submitted the tariff on October 25, 2022, and the tariff was accepted for filing by the Commission by letter dated December 29, 2022, with an effective date of January 1, 2023.

<sup>152</sup> Edmonson District's Response to Commission Staff's First Request, Item 27.

<sup>153</sup> Edmonson District's Response to Commission Staff's First Request, Item 28.

<sup>154</sup> Edmonson District's Response to Commission Staff's First Request, Item 28.

<sup>155</sup> Commission Staff Report at 8–9.

<sup>156</sup> Edmonson District's Response to Commission Staff's First Request, Item 28.



<u>Nonrecurring Charge</u>	<u>Current Charge</u>	<u>Revised Charge</u>
Reconnect Charge	\$10.00	\$10.00
Meter Test Charge	\$10.00	\$10.00
Service Call / Investigation	\$5.00	\$10.00
Meter Relocation Charge	Actual Cost	Actual Cost
Water Line Relocation Charge	Actual Cost	Actual Cost
Tap Fee for 5/8-inch x 3/4-inch Meter Service	\$1,150.00	\$1,427.00
Tap Fee for Larger Meter Services	Actual Cost	Actual Cost

The Commission accepts Commission Staff's recommendation because the amounts are known and measurable. The Commission finds that the nonrecurring charge increase, and the Tap Fee increase are reasonable and should be accepted.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission Staff's Report, along with the above stated modifications, are supported by the evidence of record and are reasonable. By applying the DSC method to Edmonson District's pro forma operations results in an Overall Revenue Requirement of \$5,376,204 and that a \$1,002,721 revenue increase, or 24.44 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement. The rates contained in Appendix B to this Order are fair, just and reasonable based on the evidence in the record.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report, as modified above, are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Edmonson District are denied.

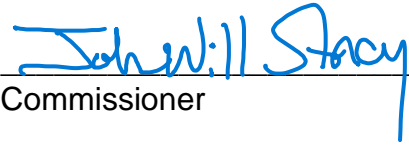
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Edmonson District on or after the date of this Order.

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

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

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Commissioner

  
\_\_\_\_\_  
Commissioner

ATTEST:

 *RP*  
\_\_\_\_\_  
Executive Director

ENTERED  
MAR 10 2025 jdc  
KENTUCKY PUBLIC  
SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00219 DATED MAR 10 2025

\* Denotes Rounding

**Nonrecurring Charges Adjustments**

	Reconnect Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$34.45 at 0.5 hours)	\$17.23	
Office Supplies		
Office Labor (\$33.76 at 0.5 hours)	\$16.88	
Transportation	\$9.94	\$10.00
Misc.		
Total Revised Charge	<u>\$44.05</u>	
Current Rate	\$10.00	

	Meter Test Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$34.45 at 0.5 hours)	\$17.23	
Office Supplies		
Office Labor (\$33.76 at 0.5 hours)	\$16.88	
Transportation	\$9.94	\$10.00
Misc.		
Total Revised Charge	<u>\$44.05</u>	
Current Rate	\$10.00	

	Service Call / Investigation Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$34.45 at 0.5 hours)	\$17.23	
Office Supplies		
Office Labor (\$33.76 at 0.5 hours)	\$16.88	
Transportation	\$9.94	\$10.00
Misc.		
Total Revised Charge	<u>\$44.05</u>	<u>\$10.00</u>
Current Rate	\$5.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00219 DATED MAR 10 2025

The following rates and charges are prescribed for the customers in the area served by Edmonson 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 the Order.

Monthly Water Rates

5/8- X 3/4-Inch Meter

First	1,500 Gallons	\$18.18	Minimum Bill
Over	1,500 Gallons	0.00857	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$49.30	Minimum Bill
Over	5,000 Gallons	0.00857	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$93.32	Minimum Bill
Over	10,000 Gallons	0.00857	Per Gallon

2-Inch Meter

First	16,000 Gallons	\$147.78	Minimum Bill
Over	16,000 Gallons	0.00857	Per Gallon

3-Inch Meter

First	30,000 Gallons	\$289.59	Minimum Bill
Over	30,000 Gallons	0.00857	Per Gallon

4-Inch Meter

First	50,000 Gallons	\$487.99	Minimum Bill
Over	50,000 Gallons	0.00857	Per Gallon

Wholesale Rate

		0.00333	Per Gallon
--	--	---------	------------

Nonrecurring Charges

Reconnect Charge	\$10.00
Meter Test Charge	\$10.00
Service Call / Investigation	\$10.00
Meter Relocation Charge	Actual Cost
Water Line Relocation Charge	Actual Cost
Tap Fee for 5/8-inch x 3/4-inch Meter Service	\$1,427.00
Tap Fee for Larger Meter Services	Actual Cost

\*Robert K. Miller  
Straightline Kentucky LLC  
113 North Birchwood Ave.  
Louisville, KENTUCKY 40206

\*Kevin Shaw  
General Manager  
Edmonson County Water District  
P. O. Box 208  
Brownsville, KY 42210

\*Edmonson County Water District  
1128 Highway 259N  
P. O. Box 208  
Brownsville, KY 42210