

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DEXTER-ALMO	)	CASE NO.
HEIGHTS WATER DISTRICT FOR A RATE	)	2024-00273
ADJUSTMENT PURSUANT TO 807 KAR 5:076	)	

ORDER

On December 2, 2024,¹ Dexter-Almo Heights 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 9,² Dexter-Almo Heights District used the calendar year ended December 31, 2023, as the basis for its application. Dexter-Almo Heights District's last base rate increase was also filed pursuant to the alternative rate adjustment procedure in Case No. 2019-00354.³

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated January 16, 2025, as amended by Order dated April 16, 2025. Dexter-Almo Heights District responded to three requests for information,

¹ Dexter-Almo Heights District tendered its application on November 11, 2024. By letter dated November 15, 2024, the Commission rejected the application for filing deficiencies. Dexter-Almo Heights responded on November 18, 2024, but did not cure all the deficiencies identified. By letter dated November 22, 2024, the Commission rejected the application for uncured filing deficiencies. The Commission issued an Order on Dec. 27, 2024, granting a deviation to the notice provision of the administrative regulation 807 KAR 5:076 Section 5(4)(d), and the application was deemed filed on December 2, 2024, pursuant to that Order.

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

³ See Case No. 2019-00354, *Electronic Application of Dexter-Almo Heights Water District for an Adjustment of Rates Pursuant to 807 KAR 5:076*.

with the responses to Commission Staff's (Staff) First and Second Request for Information being tendered one day late.⁴

Staff issued its report (Staff Report) on May 20, 2025,⁵ summarizing its findings and recommendations regarding Dexter-Almo Heights District's requested rate adjustment. In Staff Report, Staff found that Dexter-Almo Heights District's adjusted test-year operations supported an overall revenue requirement of \$509,526 and that a \$114,009 revenue increase, or 28.83 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.⁶ In the absence of a cost of service study (COSS), Staff allocated its recommended revenue increase evenly across all customer classes to calculate its recommended water rates.

On June 18, 2025, Dexter-Almo Heights District filed its response to Staff Report and provided three comments.⁷ First, Dexter-Almo Heights District stated it agreed with the findings in Staff Report.⁸ Second, Dexter-Almo Heights District waived its right to an informal conference or hearing in this case.⁹ Third, Dexter-Almo Heights District requested the Commission issue a final Order approving the rates and charges recommended in Staff Report.¹⁰ Based on the response to Staff Report, the Commission

⁴ Dexter-Almo Heights District's Response to Staff's First Request for Information (Staff's First Request) (filed Feb. 21, 2025); Dexter-Almo Heights District's Response to Staff's Second Request for Information (Staff's Second Request) (filed Mar. 21, 2025); Dexter-Almo Heights District's Response to Staff's Third Request for Information (Staff's Third Request) (filed Apr. 30, 2025).

⁵ Staff Report (Ky. PSC May 20, 2025).

⁶ Staff Report at 18.

⁷ Dexter-Almo Heights District's Response to Staff Report (filed July 18, 2025).

⁸ Dexter-Almo Heights District's Response to Staff Report, Item 1.

⁹ Dexter-Almo Heights District's Response to Staff Report, Item 2.

¹⁰ Dexter-Almo Heights District's Response to Staff Report, Item 3.

issued an Order on July 17, 2025, recognizing Dexter-Almo Heights District's June 18, 2025, amendment of its application, and requiring that the district re-notice the rate increase because the recommended amount was in excess of 110 percent of the proposed increase.¹¹ It has been more than 30 days since the July 17, 2025 Order and no requests for intervention have been received. The case now stands submitted for a decision by the Commission.

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."¹² 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

Dexter-Almo Heights District is a water utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system which provides retail water service to

¹¹ July 17, 2025 Order.

¹² *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).

approximately 840 residential customers and 36 commercial customers that reside in Calloway County, Kentucky.¹³

UNACCOUNTED-FOR WATER LOSS

Dexter-Almo Heights District purchases all of its water from Murray Water System.¹⁴ The Commission notes that, in its 2023 Annual Report, Dexter-Almo Heights District reported a water loss of 8.8153 percent.¹⁵ 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 Dexter-Almo Heights District is \$13,764, while the annual cost of water loss in excess of 15 percent is \$0.

Description	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 154,368	\$ 1,769	\$ 156,137
Water Loss Percent	8.8153%	8.8153%	8.8153%
Total Water Loss	<u>\$ 13,608</u>	<u>\$ 156</u>	<u>\$ 13,764</u>

TEST PERIOD

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

¹³ *Annual Report of Dexter-Almo Heights District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 12 and 49.

¹⁴ 2023 Annual Report at 54.

¹⁵ 2023 Annual Report at 57.

SUMMARY OF REVENUE AND EXPENSES

Staff Report summarizes Dexter-Almo Heights District's pro forma income statement as follows¹⁶:

Description	Commission Staff's Report		
	Test Year Operations	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$ 377,500	\$ 24,157	\$ 401,657
Operating Expenses	429,449	25,699	455,148
Total Operating Income	<u>\$ (51,949)</u>	<u>\$ (1,542)</u>	<u>\$ (53,491)</u>

REVIEW OF STAFF'S RECOMMENDATIONS

In its application, Dexter-Almo Heights District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. Staff calculated a different revenue requirement based on additional pro forma adjustments.¹⁷ The Commission finds that the recommendations contained in the Staff Report should be accepted without further modifications or adjustments. The following is the Commission's complete pro forma.

¹⁶ Staff Report at 10.

¹⁷ Staff Report at 10.

PRO FORMA OPERATING STATEMENT

Description	Test Year	Dexter-Almo Heights Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	Pro Forma
Operating Revenues					
Metered Retail Sales	\$ 377,500	\$ 31,413	\$ (31,413)	\$ -	
			18,017	18,017	395,517
Other Revenues					
Forfeited Discounts	0		6,140	6,140	6,140
Other Water Revenues	0			0	0
Total Operating Revenues	377,500	31,413	(7,256)	24,157	401,657
Operation and Maintenance					
Salaries and Wages - Employees	107,067	25,196	2,482	27,678	
			(5,670)	(5,670)	
			(3,300)	(3,300)	125,775
Salaries and Wages - Officers	7,500		3,300	3,300	10,800
Employee Pensions and Benefits	1,048		628	628	1,676
Purchased Water	154,089			0	154,089
Purchased Power	1,769			0	1,769
Materials and Supplies	63,769			0	63,769
Contractual Services	9,425			0	9,425
Water Testing	2,110			0	2,110
Rents	9,707			0	9,707
Transportation Expenses	7,628	8,302	(8,302)	0	7,628
Insurance	7,205			0	7,205
Miscellaneous Expenses	23,965			0	23,965
Total	395,282	33,498	(10,862)	22,636	417,918
Depreciation Expense	25,122		1,660	1,660	26,782
Taxes Other Than Income	9,045	2,455	(1,052)	1,403	10,448
Total Operating Expenses	429,449	35,953	(10,254)	25,699	455,148
Net Operating Income	(51,949)	(4,540)	2,998	(1,542)	(53,491)
Interest Income	0		1,548	1,548	1,548
Income Available to Service Debt	\$ (51,949)	\$ (4,540)	\$ 4,546	\$ 6	(51,943)

Metered Water Sales. Dexter-Almo Heights District reported test-year metered water sales of \$377,500 and proposed one adjustment to the account.¹⁸ Dexter-Almo Heights District stated this adjustment was a \$31,413 increase in water sales from the year 2024, the year in which the application was filed, plus an estimate for the last two

¹⁸ Application, Attachment_SAO_-_Dexter Almo.pdf, Schedule of Adjusted Operations.

months remaining in the year.¹⁹ Dexter-Almo Heights District stated, in its response to Staff's First Request, that the adjustment should not have been made, as it was using a complete test year of 2023.²⁰ Staff decreased revenues by \$31,413 to negate Dexter-Almo Heights District's erroneous adjustment. Dexter-Almo Heights District provided a billing analysis²¹ used to calculate a normalized revenue amount based on the usage during the test year. Using the rates authorized in its current tariff, the billing analysis indicated metered water revenues of \$395,517. Staff recommended an adjustment to increase water revenues by \$18,017 to match the test year metered water sales to the amount indicated in the billing analysis.²² Staff recommended that the Commission accept the Staff's pro forma adjustment because the amount meets the ratemaking criteria of being known and measurable.²³

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

Other Revenues. Dexter-Almo Heights District did not include any test-year Other Revenues.²⁴ In response to Staff's Second Request, Dexter-Almo Heights District

¹⁹ Application, Attachment_SAO_-_Dexter Almo.pdf, Reference 1.

²⁰ Dexter-Almo Heights District's Response to Staff's First Request, Item 23.

²¹ Dexter-Almo Heights District's Response to Staff's Second Request, Item 8, Dexter-Almo 2023 Billing Analysis.

²² Staff Report at 11.

²³ Staff Report at 11.

²⁴ Application, Attachment_SAO_-_Dexter Almo.pdf, Schedule of Adjusted Operations.

provided information on its Late Fees.²⁵ The report indicated late fees of \$6,450 were recorded during the test year.²⁶ Dexter-Almo Heights District did not provide the number of occurrences for each nonrecurring charge.²⁷ Dexter-Almo Heights District later stated there were no nonrecurring charges logged in 2023.²⁸ Therefore, Staff was unable to determine the amount of revenue that should have been recorded in nonrecurring charges during the test year and recommended not including any Nonrecurring Charge revenue resulting in total Other Revenues comprised of only Late Fees, in the amount \$6,450. Staff recommended including the late fee revenue of \$6,450 in Other Revenues, as the amount meets the ratemaking criteria of being known and measurable.²⁹

The Commission finds the inclusion of Late Fees in the proper account, Other Revenues, is reasonable and should be accepted, consistent with regulatory accounting principles set forth in The Uniform System of Accounts for Class A/B Water Systems (USoA).³⁰ The Commission also finds not including any Nonrecurring Charge Revenue in the test year because Dexter-Almo Heights District did not record any during the test year to be reasonable.

Salaries and Wages - Employees. Dexter-Almo Heights District reported a test year Salaries and Wages – Employees Expense of \$107,067 and proposed one

²⁵ Dexter-Almo Heights District's Response to Staff's Second Request, Item 4, PSC Rate Case 2023.

²⁶ Dexter-Almo Heights District's Response to Staff's Second Request, Item 4, PSC Rate Case 2023, 2023 Late Fees Tab.

²⁷ Dexter-Almo Heights District's Response to Staff's First Request, Item 18.

²⁸ Dexter-Almo Heights District's Response to Staff's Second Request, Item 5a.

²⁹ Staff Report at 12.

³⁰ USoA Water Operating Revenues Account 470 Forfeited Discounts.

adjustment in the amount \$25,196.³¹ Dexter-Almo Heights District stated this adjustment was to account for new staff and an apprentice being hired following the test year.³² During the test year, Dexter-Almo Heights District did not have one full-time meter reader, instead had multiple employees rotate through that position.³³ Dexter-Almo Heights District hired a full-time operator who started February 5, 2024.³⁴ Staff determined an additional increase of \$2,482, by using the employee's hours worked and wage rate to determine the increase for an additional month of wage expense, was necessary to account for the position working a full year. Dexter-Almo Heights District also confirmed that it would not be hiring a replacement for the other meter reader position in 2024, with a termination date of July 2, 2024.³⁵ Staff recommended a reduction of \$5,670 to account for the wages incurred in the test year for terminated position that will not continue to occur.³⁶ During its review, Staff also identified \$3,300 in expenses paid to Dexter-Almo Heights District's commissioners and recommended reclassifying that amount to Salaries and Wages – Officers.³⁷ Staff's adjustments resulted in a pro forma amount of \$125,775. Staff recommended the Commission accept Staff's adjustments as the amounts are known and measurable and are supported by the information in the case record.³⁸

³¹ Application, Attachment_SAO_-_Dexter Almo.pdf, Schedule of Adjusted Operations.

³² Application, Attachment_SAO_-_Dexter Almo.pdf, Reference 2.

³³ Dexter-Almo Heights District's Response to Staff's First Request, Item 5, 2023 Payroll Summary.

³⁴ Dexter-Almo Heights District's Response to Staff's First Request, Item 5, 2024 Payroll Summary.

³⁵ Dexter-Almo Heights District's Response to Staff's Second Request, Item 1a.

³⁶ Staff Report at 12.

³⁷ Staff Report at 13.

³⁸ Staff Report at 13.

The Commission finds Staff's recommendation reasonable and accepts the adjustment because the amount meets the ratemaking criteria of being known and measurable.

Salaries and Wages - Officers. Dexter-Almo Heights District reported \$7,500 in test year Salaries and Wages for its commissioners.³⁹ As stated above, Staff recommended an increase of \$3,300 to record commissioner wages initially reported in Salaries and Wages – Employees in the correct category.⁴⁰ Dexter-Almo Heights District has three commissioners that are each paid \$300 a month.⁴¹ Dexter-Almo Heights District provided documentation of its commissioners' appointments,⁴² salary authorization,⁴³ and training records.⁴⁴ KRS 74.020(6) states that "[e]ach commissioner shall receive an annual salary of not more than thirty-six hundred dollars (\$3,600)," and that "[i]n fixing and approving the salary of the commissioners, the county judge/executive and the fiscal court shall take into consideration the financial condition of the district and its ability to meet its obligations as they mature."⁴⁵ Staff also recommended Dexter-Almo

³⁹ Application, Attachment_SAO_-_Dexter Almo.pdf, Schedule of Adjusted Operations.

⁴⁰ Staff Report at 13.

⁴¹ Dexter-Almo Heights District's Response to Staff's First Request, Item 10, DAWD Board Members.

⁴² Dexter-Almo Heights District's Response to Staff's First Request, Item 11, DAWD Calloway County Fiscal Court Minutes.

⁴³ Dexter-Almo Heights District's Response to Staff's First Request, Item 11, DAWD Calloway County Fiscal Court Minutes Salary.

⁴⁴ Dexter-Almo Heights District's Response to Staff's First Request, Item 12, DAWD Board Training.

⁴⁵ KRS 74.020(6), Appointment of commissioners – Number – Terms – Removal – Vacancies – Organization – Bond – Compensation – Mandatory Training – Notice of Vacancy.

Heights District's Revenue Requirement include the full pro forma amount because Dexter-Almo Heights District provided all the required information.⁴⁶

The Commission finds Staff's recommendation is reasonable and should be accepted as it is consistent with KRS 74.020(6).

Employee Pension and Benefits. Dexter-Almo Heights District has one employee who participates in a Franklin Templeton IRA.⁴⁷ Dexter-Almo Heights District reported a test year expense of \$1,048.⁴⁸ Dexter-Almo Heights District provided a recent invoice that had a monthly cost of \$139.68, or \$1,676 yearly.⁴⁹ Staff recommended an adjustment of \$628 to the test year to reach the yearly amount indicated by the invoice, as the amount is known and measurable.⁵⁰ Staff recommended the Commission accept Staff's adjustment as the amount is known and measurable.⁵¹

The Commission finds that Staff's adjustment is reasonable and should be accepted because the amount is known and measurable and matches the information provided in the invoice.

Transportation Expenses. Dexter-Almo Heights District reported a test year amount of \$7,682 and proposed one adjustment to the account.⁵² Dexter-Almo Heights

⁴⁶ Staff Report at 14.

⁴⁷ Dexter-Almo Heights District's Response to Staff's First Request, Item 3, DAWD Employee Benefits.

⁴⁸ Application, Attachment_SAO_-_Dexter Almo.pdf, Schedule of Adjusted Operations.

⁴⁹ Dexter-Almo Heights District's Response to Staff's First Request, Item 4, DAWD Franklin Templeton Invoices.

⁵⁰ Staff Report at 14.

⁵¹ Staff Report at 14.

⁵² Application, Attachment_SAO_-_Dexter Almo.pdf, Schedule of Adjusted Operations.

District stated this adjustment of \$8,302 was to purchase a truck for the additional staff hired as discussed in the salaries and wages section above..⁵³ While Staff agreed there should be an increase for the purchase of the truck, it did not agree that it would be a recurring expense and should be included in operating expenses. Instead, Staff recommended capitalizing the expense, with a resulting increase to depreciation expense, instead of materials and supplies.⁵⁴ Staff recommended the Commission accept Staff's recommended adjustment as purchasing a new vehicle is not a recurring expense and should be included in the depreciation expense category.⁵⁵

The Commission finds Staff's adjustment reasonable to properly capitalize known and measurable expenses and therefore, accepts the adjustment.

Depreciation Expense. In its application, Dexter-Almo Heights District reported a test-year amount of \$25,122 and did not propose an adjustment.⁵⁶ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the National Association of Regulatory Utility Commissioners (NARUC) publication titled Depreciation Practices for Small Utilities. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. Staff reviewed the depreciation schedule submitted by Dexter-Almo Heights District and determined Dexter-Almo Heights District already used the NARUC midpoint to calculate

⁵³ Application, Attachment_SAO_-_Dexter Almo.pdf, Reference 3.

⁵⁴ Staff Report at 15.

⁵⁵ Staff Report at 15.

⁵⁶ Application, Attachment_SAO_-_Dexter Almo.pdf, Schedule of Adjusted Operations.

its depreciation expenses. Finding no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges, Staff recommended that the Commission accept the test-year amount of \$25,122.⁵⁷

As discussed in the Transportation Expenses section above, Staff capitalized the purchase of a truck by Dexter-Almo Heights District resulting in increased depreciation expense of \$1,660 as shown in the table below. Staff recommended the Commission accept Staff's adjustment as purchasing a new vehicle is not a recurring expense and should be included as depreciation expense.⁵⁸

The Commission finds Commission Staff's recommended adjustments are reasonable and should be accepted because the amounts are known and measurable.

Description	Original Cost	Asset Life	Annual Depreciation
Truck	8,302	5.00	<u>1,660</u>

Taxes Other Than Income. In its application, Dexter-Almo Heights District reported a test-year amount of \$9,045 and proposed one adjustment.⁵⁹ This adjustment, in the amount \$2,455, was to account for increased payroll taxes for the new staff and apprentice being hired.⁶⁰ While Staff agreed with the methodology of the increase, it recalculated the amount based on the pro forma salaries and wages of Dexter-Almo Heights District's employees and commissioners of \$136,575, and calculated taxes other

⁵⁷ Staff Report at 15.

⁵⁸ Staff Report at 16.

⁵⁹ Application, Attachment_SAO_-_Dexter Almo.pdf, Schedule of Adjusted Operations.

⁶⁰ Application, Attachment_SAO_-_Dexter Almo.pdf, Reference 2.

than income of \$10,448 shown in the table below.⁶¹ Therefore, Staff recommended a reduction of \$1,052 to Dexter-Almo Heights District's proposed adjustment to reach the amount calculated also shown in the table below, and recommended the Commission accept the adjustment as the amount is known and measurable.⁶²

The Commission finds that Staff's adjustments should be accepted because the amounts are known and measurable and match the information provided in the case record.

Description	Amount
Pro Forma Wages (Commissioner and Employee)	\$ 136,575
FICA Taxes	7.650%
Total FICA Payment	10,448
Dexter-Almo Proposed (Test Year plus adjustment)	11,500
Commission Staff adjustment	\$ (1,052)

OVERALL REVENUE REQUIREMENT

Dexter-Almo Heights District proposed to use the Debt Service Coverage method in its application, which would have resulted in an increase of \$71,040, or 17.37 percent. Staff determined that the Operating Ratio method was more suitable than the Debt Service Coverage method because using the Operating Ratio would provide Dexter-Almo Heights District approximately \$62,000 more in additional working capital than the Debt Service Coverage method due to Dexter-Almo Heights District not having any debt

⁶¹ Staff Report at 16.

⁶² Staff Report at 16.

payments after 2024.⁶³ The Operating Ratio methodology⁶⁴ is used when there is no basis for a rate of return determination, the cost of the utility has largely been funded through contributions, or there is little or no outstanding long-term debt. The Operating Ratio is a method to provide the utility with necessary working capital to operate effectively on a day-to-day by maintaining an adequate cash flow. Although Dexter-Almo Heights District requested to use the Debt Service Coverage method, it did not have any outstanding debt as of December 31, 2024.⁶⁵ With no outstanding debt, Staff is of the opinion that the Debt Service Coverage method would not produce enough revenues to keep Dexter-Almo Heights District financially stable and viable, with sufficient working capital to operate effectively. Therefore, Staff recommended using the Operating Ratio method to calculate the revenue requirement for Dexter-Almo Heights District.

By applying the Operating Ratio method, Staff calculated Dexter-Almo Heights District's Revenue Requirement from Rates to be \$509,526. A revenue increase of \$114,009, or 28.83 percent, is necessary to generate the Overall Revenue Requirement of \$517,214. The chart below shows a comparison of Staff's calculated revenue requirement to what Dexter-Almo Heights District's revenue requirement would have been, using its proposed pro forma expenses, under the Operating Ratio method.

⁶³ Staff Report at 5.

⁶⁴ Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues. It is illustrated by the following equation:

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

⁶⁵ Dexter-Almo Heights District's 2023 Audit, Note 6 – Notes Payable, at 17.

The Commission finds Staff's recommendation to use the Operating Ratio Method is reasonable and should be accepted because it will provide Dexter-Almo Heights District with sufficient working capital.

Description	Dexter-Almo Heights	Commission Staff
Pro Forma Operating Expenses	\$ 465,402	\$ 455,148
Divided by: 88 Percent Operating Ratio	88%	88%
Subtotal	528,866	517,214
Average Interest Expense	1,464	-
Total Revenue Requirement	530,330	517,214
Other Revenue ()	(1,548)	(6,140)
Interest Income ()	0	(1,548)
Revenue Required from Rates	528,782	509,526
Revenue from Sales at Present Rates ()	(408,913)	(395,517)
Required Revenue Increase / (Decrease)	\$ 119,869	\$ 114,009
Percentage Increase / (Decrease)	29.31%	28.83%

RATE DESIGN

In its application, Dexter-Almo Heights District proposed to increase its monthly water service rates by 18.13 percent, or 17.37 percent, as adjusted by Staff to correct the calculation as discussed above, to all its water customers evenly across the board.⁶⁶ Dexter-Almo Heights District stated that it did not know the last time it performed a cost-of-service study (COSS) and that no decision had been made to complete a new one.⁶⁷ 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 no evidence is entered into the record demonstrating that this method is unreasonable and in the absence of a

⁶⁶ Application, Dexter_Almo_Legal_Notice.pdf, Legal Notice (filed Dec. 2, 2024).

⁶⁷ Dexter-Almo Heights District's Response to Staff's First Request, Items 15a–15c.

COSS.⁶⁸ Finding no such evidence in this case, Staff allocated its recommended \$114,009 revenue increase evenly across Dexter-Almo Heights District's monthly retail water service rates.

The rates recommended in Appendix B to this report are based upon the revenue requirement, as calculated by Staff, and will produce sufficient revenues from water sales to recover the \$509,526 revenue required from rates, an approximate 28.83 percent increase. The monthly water bill for a typical residential customer using approximately 3,790 gallons per month⁶⁹ will increase \$10.11 from \$35.08 to \$45.19, or approximately 28.82 percent.

The Commission finds that the evidence provided in the record and the analysis shows that the revenue requirement and the allocation methodology used by Staff are fair, just and reasonable and should be accepted.

Nonrecurring Charges. Staff reviewed Dexter-Almo Heights District's Nonrecurring Charges. The Commission has found that because district personnel are currently paid during normal business hours, estimated normal business hour labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated from the charges.⁷⁰ Dexter-Almo Heights District provided updated cost

⁶⁸ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

⁶⁹ Case No. 2019-00354, *Electronic Application of Dexter-Almo Heights Water District for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC May. 21, 2020), final Order at 1 (The average retail customer uses 3,790 gallons per month).

⁷⁰ 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,

justification information for the Nonrecurring Charges⁷¹ and stated that there were no Nonrecurring Charges, other than late fees, recorded during the test year.⁷²

Dexter-Almo Heights District further stated the reason that no Nonrecurring Charges were recorded was due to an issue between field and office staff and would work to correct the problem by implementing a new work order process. Dexter-Almo Heights District also stated that the Board of Commissioners has counseled staff on the importance of maintaining a work order process.⁷³ Staff recommended that the Commission remind Dexter-Almo Heights District that it is obligated to follow the rules and regulations outlined in its tariff and could be subject to an investigation if they are not followed in the future.

The Commission agrees with the Staff's recommendations and requires Dexter-Almo Heights District to record all future Nonrecurring Charges as per 807 KAR 5:006, Section 4(6), stating "All records and reports shall be retained in accordance with the uniform system of accounts unless otherwise specified." Dexter-Almo Heights District is required to follow the rules and regulations outlined in its tariff. Failure to comply with this requirement in the future could result in an investigation or a more severe penalty.

Staff reviewed the cost justification information provided by Dexter-Almo Heights District and adjusted these charges by removing the Field Labor Costs and the Office/Clerical Labor Costs from those charges that occur during regular business hours.

Electronic Application of East Casey County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076 (Ky. PSC May 21, 2024).

⁷¹ Dexter-Almo Heights District's Response to Staff's Second Request, Item 6. Files were submitted March 26, 2025.

⁷² Dexter-Almo Heights District's Response to Staff's Second Request, Item 5a.

⁷³ Dexter-Almo Heights District's Response to Staff's Second Request, Item 5a.

Staff also removed the Office/Clerical Labor Costs from the After-Hours Reconnection Charge, as office labor is typically performed during regular business hours. The Meter Re-Read Charge, Meter Test Charge, and Service Call Charge received increases of \$0.50, \$3.00, and \$0.50, respectively. These increases were supported by the cost justification provided⁷⁴ and are due to the rise in the cost of transportation expenses.

Staff recommended that the Commission accept Dexter-Alamo Heights District's proposed adjustments for the charges mentioned above, as Dexter-Almo Heights District supported these in the cost justification provided,⁷⁵ and the amounts meet the ratemaking criteria of being known and measurable. The cost justification information, shown in Appendix A, was provided by Dexter-Almo Heights District and supports Staff's adjustments to the Nonrecurring Charges. The adjustments discussed above result in the following revised Nonrecurring Charges:

Charge	Current Charge	Revised Charge
Re-connection Charge	\$25.00	\$7.00
Re-connection Charge After Hours	\$55.00	\$37.00
Returned Check Charge	\$25.00	\$25.00
Meter Re-Read Charge	\$6.50	\$7.00
Meter Test Charge	\$51.00	\$54.00
Service Call	\$6.50	\$7.00
Service Call After Hours	\$55.00	\$37.00

The adjustments to the Nonrecurring Charges result in no change to Operating Revenues since there were no Nonrecurring Charges recorded during the test year.

⁷⁴ Dexter-Almo Heights District's Response to Staff's Second Request, Item 6. Meter_Re-read_Charge.pdf, Meter_Test_Charge.pdf, and Service_Call.pdf (filed March 26, 2025).

⁷⁵ Dexter-Almo Heights District's Response to Staff's Second Request, Item 6. Files were submitted March 26, 2025.

The Commission finds that the Staff's recommended adjustments to the Nonrecurring Charges are appropriate considering the provided cost justification, and that the amounts meet the ratemaking criteria of being known and measurable. The Commission finds that Staff's recommendation is reasonable, and the revised Nonrecurring Charges as described above and in Appendix B should be accepted.

Tap-On Charge. Dexter-Almo Heights District provided an updated cost justification for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.⁷⁶ Staff reviewed the cost justification information provided by Dexter-Almo Heights District and noted the information supports an increase in the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge. Staff recommended that the Commission accept Dexter-Almo Heights District's proposed increase for the Tap-On fee from \$900 to \$1,925 for the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge, as \$1,925 represents the actual costs associated with performing this service.

The Commission agrees with Staff's recommendation to increase the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge to \$1,925, to reflect the current expenses incurred when performing this service and to prevent any under recovery for the tap fee. Increasing the tap fee rates in line with Dexter-Almo Heights District's actual cost will result in a fair, just and reasonable rate. In addition, over time, under recovery of a particular charge may result in degradation of the utility's financial condition.

⁷⁶ Dexter-Almo Heights District's Response to Staff's Third Request, Item 2, Tap_Fee_Work_Sheet_-_Dexter_Almo.pdf.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Staff Report, are supported by the evidence of record, are reasonable and should be accepted. By applying the Operating Ratio (OR) method, as accepted by the Commission, Staff found that Dexter-Almo Heights District's required revenue from water sales is \$509,526 to meet the Overall Revenue Requirement of \$517,214, and that a \$114,009 revenue increase, or 28.83 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Dexter-Almo Heights District are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Dexter-Almo Heights District on or after the date of service of this Order.
4. Within 20 days of the date of service of this Order, Dexter-Almo Heights District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.
5. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director





Case No. 2024-00273

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00273 DATED OCT 20 2025

* Denotes Rounding

Nonrecurring Charges Adjustments

Re-connection Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$	-
Field Labor (1 hour @ \$19.85)	\$ 19.85	\$	-
Office Supplies	\$ -	\$	-
Office Labor	\$ 19.60	\$	-
Transportation	\$ 7.00	\$	7.00
Misc.	\$ -	\$	-
Total Revised Charge*	\$ 46.45	\$	7.00
Current Rate	\$25.00		

Re-connection Charge After Hours			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$	-
Field Labor (1.5 hour @ \$19.85)	\$ 29.78	\$	29.78
Office Supplies	\$ -	\$	-
Office Labor	\$ 19.60	\$	-
Transportation	\$ 7.00	\$	7.00
Misc.	\$ -	\$	-
Total Revised Charge*	\$ 56.38	\$	37.00
Current Rate	\$55.00		

Returned Check Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$	-
Field Labor	\$ -	\$	-
Office Supplies	\$ -	\$	-
Office Labor	\$ -	\$	-
Transportation	\$ -	\$	-
Misc. (Murray Bank Charge)	\$ 25.00	\$	25.00
Total Revised Charge*	\$ 25.00	\$	25.00
Current Rate	\$25.00		

Meter Re-Read Charge			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor (1 hour @ \$19.85)	\$	19.85	\$ -
Office Supplies	\$	-	\$ -
Office Labor (10 mins @ \$19.60/hr)	\$	3.27	\$ -
Transportation	\$	7.00	\$ 7.00
Misc.	\$	-	\$ -
Total Revised Charge*	\$	30.12	\$ 7.00
Current Rate	\$6.50		

Meter Test Charge			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor (1 hour @ \$19.85)	\$	19.85	\$ -
Office Supplies	\$	-	\$ -
Office Labor	\$	-	\$ -
Transportation (60 miles @ \$.7)	\$	42.00	\$ 42.00
Misc. (Contract Labor @ \$12.00)	\$	12.00	\$ 12.00
Total Revised Charge*	\$	73.85	\$ 54.00
Current Rate	\$51.00		

Service Call			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor (1 hour @ \$19.85)	\$	19.85	\$ -
Office Supplies	\$	-	\$ -
Office Labor (10 mins @ \$19.60/hr)	\$	3.27	\$ -
Transportation (10 miles @ \$.7)	\$	7.00	\$ 7.00
Misc.	\$	-	\$ -
Total Revised Charge*	\$	30.12	\$ 7.00
Current Rate	\$6.50		

Service Call After Hours			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor (1.5 hour @ \$19.85)	\$	29.78	\$ 29.78
Office Supplies	\$	-	\$ -
Office Labor	\$	19.60	\$ -
Transportation (10 miles @ \$.7)	\$	7.00	\$ 7.00
Misc.	\$	-	\$ -
Total Revised Charge*	\$	56.38	\$ 37.00
Current Rate	\$55.00		

5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge			
	Utility Revised Charge		Staff Revised Charge
Materials Expense	\$	626.16	\$ 626.16
Service Pipe Expense	\$	28.50	\$ 28.50
Installation Labor Expense	\$	1,250.00	\$ 1,250.00
Installation Equipment Expense	\$	-	\$ -
Installation Miscellaneous Expense	\$	-	\$ -
Overhead Expense	\$	-	\$ -
Administrative Expense	\$	19.60	\$ 19.60
Total Revised Charge*	\$	1,924.26	\$ 1,925.00
Current Rate		\$900.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00273 DATED OCT 20 2025

The following rates and charges are prescribed for the customers in the area served by Dexter-Almo Heights Water District. All other rates and charges not specifically mentioned herein remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8- x 3/4-Inch Meter

First	2,000 Gallons	\$ 26.49	Minimum Bill
Next	3,000 Gallons	0.01045	Per Gallon
Next	5,000 Gallons	0.00924	Per Gallon
Next	10,000 Gallons	0.00872	Per Gallon
Over	20,000 Gallons	0.00701	Per Gallon

Charge	Revised Charge
Re-connection Charge	\$ 7.00
Re-connection Charge After Hours	\$ 37.00
Returned Check Charge	\$ 25.00
Meter Re-Read Charge	\$ 7.00
Meter Test Charge	\$ 54.00
Service Call	\$ 7.00
Service Call After Hours	\$ 37.00

Meter Connection/Tap-On Charges

5/8 Inch X 3/4 Inch	\$ 1,925.00
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