

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF FLEMING	)	
COUNTY WATER ASSOCIATION, INC. FOR A	)	CASE NO.
RATE ADJUSTMENT PURSUANT TO 807 KAR	)	2024-00275
5:076	)	

ORDER

On August 22, 2024, Fleming County Water Association, Inc. (Fleming Water) filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,<sup>1</sup> Fleming Water 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. 2024-00179, which required Fleming Water to file an application for an adjustment of its base rates by July 31, 2025.<sup>2</sup> The final Order for Case No. 2024-00179 stated:

Fleming County Water has never sought a general base rate adjustment. Fleming County Water's only rate increases since 2004 have occurred as a condition for federal financing of a construction project in accordance with KRS 278.023, financing cases, purchased water adjustment cases, and rate adjustments to service charges.<sup>3</sup>

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<sup>1</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>2</sup> Case No. 2024-00179, *Electronic Purchased Water Adjustment Filing of Fleming County Water Association, Inc* (Ky. PSC July 10, 2024).

<sup>3</sup> Case No. 2024-00179, (Ky. PSC July 10, 2024), Order at 3.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated September 4, 2024. Fleming Water responded to two requests for information from Commission Staff and made two supplemental filings.<sup>4</sup>

In its application, Fleming Water requested a total revenue requirement of \$2,432,512 to increase its annual water sales revenue by \$275,498, or 13.46 percent.<sup>5</sup>

On January 13, 2025, Commission Staff issued its report (Commission Staff's Report) summarizing its recommendations regarding Fleming Water's requested rate adjustment. In Commission Staff's Report, Commission Staff recommended that Fleming Water's adjusted test year operations support a total revenue requirement of \$2,367,781, an increase of \$246,211 or 12.03 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.<sup>6</sup> In the absence of a cost of service study (COSS), Commission Staff allocated its recommended revenue increase evenly across the board of retail customers to calculate its recommended water rates.<sup>7</sup>

On January 21, 2025, Fleming Water filed its response to Commission Staff's Report.<sup>8</sup> In its written comments, Fleming Water stated that it does not agree with the removal of certain labor expenses from nonrecurring charges, but it did not wish to contest

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<sup>4</sup> Fleming Water's Response to Commission Staff's First Request for Information (Staff's First Request), (filed Oct. 10, 2024). Fleming Water's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Oct. 31, 2024). Fleming Water's Supplemental Document for 2023 Salaries and Hours (filed Nov. 7, 2024). Fleming Water's Supplemental Information on Contractual Expenses (filed Nov. 26, 2024).

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

<sup>6</sup> Commission Staff's Report at 4.

<sup>7</sup> Commission Staff's Report at 4.

<sup>8</sup> Fleming Water's Response to Staff Report, Response\_to\_Staff\_Report.pdf.

that adjustment.<sup>9</sup> Additionally, Fleming Water concurred with the remainder of the findings in Commission Staff's Report<sup>10</sup> and waived its right to request an informal conference or hearing.<sup>11</sup> The case now stands submitted for a decision.

### 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>12</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

Fleming Water is a water utility organized pursuant to KRS Chapter KRS 273 that owns and operates a distribution system through which it provides retail water service to approximately 3,393 residential customers, 766 commercial customers, 318 industrial customers that reside in Fleming, Lewis, and Mason counties, Kentucky.<sup>13</sup>

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<sup>9</sup> Fleming Water's Response to Staff Report, Response\_to\_Staff\_Report.pdf, Item 1.

<sup>10</sup> Fleming Water's Response to Staff Report, Response\_to\_Staff\_Report.pdf, Item 2.

<sup>11</sup> Fleming Water's Response to Staff Report, Response\_to\_Staff\_Report.pdf, Item 3.

<sup>12</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>13</sup> *Annual Report of Fleming County Water Association, Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 12 and 49.

### UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2023 Annual Report, Fleming Water reported a water loss of 8.2463 percent.<sup>14</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 Fleming Water is \$57,437.

<u>Total Water Loss</u>	<u>Purchased Water</u>	<u>Purchased Power</u>	<u>Total</u>
Pro Forma Purchases	\$ 680,409	\$ 16,108	\$ 696,517
Water Loss Percent	8.2463%	8.2463%	8.2463%
Total Water Loss	<u>\$ 56,109</u>	<u>\$ 1,328</u>	<u>\$ 57,437</u>

### TEST PERIOD

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

### SUMMARY OF REVENUE AND EXPENSES

The Commission Staff's Report summarizes Fleming Water's pro forma income statement as follows:

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<sup>14</sup> 2023 Annual Report at 57.

Description	2023 Test Year	Total Proposed Adjustments	Commission Staff's Pro Forma
Total Operating Revenues	\$ 2,116,550	\$ (18,809)	\$ 2,097,741
Total Operating Expenses ( )	(2,252,627)	60,936	(2,191,691)
Net Operating Income	(136,077)	42,127	(93,950)
Revenues from Contracted Work	108,691	(102,691)	6,000
Interest Income	16,447	-	16,447
Net Nonutility Income	1,382	-	1,382
Income Available to Service Debt	\$ (9,557)	\$ (60,564)	\$ (70,121)

### REVIEW OF COMMISSION STAFF'S RECOMMENDATIONS

Fleming Water proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff recommended additional adjustments. As noted above, Fleming Water objected to certain adjustments set forth in Commission Staff's Report but did not wish to contest that adjustment. The Commission accepts the recommendations contained in the Commission Staff's Report with no further modifications. The following is the Commission's complete pro forma:

Description	2023 Test Year	Total Proposed Adjustments	Commission Staff's Pro Forma	Commission Proposed Adjustment	Pro Forma
<b>Operating Revenues</b>					
Metered Retail Sales	\$ 2,029,740	\$ 16,635	\$ 2,046,375	\$ -	\$ 2,046,375
<b>Other Water Revenues</b>					
Forfeited Discounts	-	30,181	30,181	-	30,181
Non-Recurring Charges (NRCs)		39,338			
		(18,153)	21,185	-	21,185
Miscellaneous Service Revenues	56,629	(39,338)			
		(17,291)	-	-	-
Other Water Revenues	30,181	(30,181)	-	-	-
<b>Total Other Water Revenues</b>	<b>86,810</b>	<b>(35,444)</b>	<b>51,366</b>	<b>-</b>	<b>51,366</b>
<b>Total Operating Revenues</b>	<b>2,116,550</b>	<b>(18,809)</b>	<b>2,097,741</b>	<b>-</b>	<b>2,097,741</b>
<b>Operation and Maintenance</b>					
Salaries and Wages - Employees	507,815	(15,352)			
		(26,970)	465,493	-	465,493
Salaries and Wages - Officers	14,000	400	14,400	-	14,400
Employee Pensions and Benefits	176,745	1,900			
		(19,788)	158,857	-	158,857
Purchased Water	652,253	28,156	680,409	-	680,409
Purchased Power	16,108		16,108	-	16,108
Materials and Supplies	294,944	(62,930)			
		(6,124)	225,890	-	225,890
Contractual Services	72,573	65,052	137,625	-	137,625
Transportation Expense	66,137	-	66,137	-	66,137
Insurance	29,198	1,621	30,819	-	30,819
Advertising	647	-	647	-	647
Miscellaneous	28,987	-	28,987	-	28,987
<b>Total</b>	<b>1,859,407</b>	<b>(34,035)</b>	<b>1,825,372</b>	<b>-</b>	<b>1,825,372</b>
Depreciation Expense	353,115	(28,368)			
		635	325,382	-	325,382
Taxes Other Than Income	40,105	832	40,937	-	40,937
<b>Total Operating Expenses</b>	<b>2,252,627</b>	<b>(60,936)</b>	<b>2,191,691</b>	<b>-</b>	<b>2,191,691</b>
<b>Net Operating Income</b>	<b>(136,077)</b>	<b>42,127</b>	<b>(93,950)</b>	<b>-</b>	<b>(93,950)</b>
Revenues from Contracted Work	108,691	(102,691)	6,000	-	6,000
Interest Income	16,447	-	16,447	-	16,447
Net Nonutility Income	1,382	-	1,382	-	1,382
<b>Income Available to Service Debt</b>	<b>\$ (9,557)</b>	<b>\$ (60,564)</b>	<b>\$ (70,121)</b>	<b>\$ -</b>	<b>\$ (70,121)</b>

Total Metered Sales. Fleming Water proposed an adjustment to increase Metered Water Sales by \$16,635<sup>15</sup> to reflect the full-year effect of rates put into effect in

<sup>15</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment A.

July 2024.<sup>16</sup> Fleming Water reported a total metered water sales revenue of \$2,029,740 during the test year according to the Schedule of Adjusted Operations (SAO).<sup>17</sup> Fleming Water received an increase to its retail rates in July 2024 for a purchased water adjustment.<sup>18</sup> Fleming Water provided a billing analysis to calculate a normalized revenue amount based on the volume during the test year using the rates authorized in its current tariff to be \$2,046,375, and proposed an adjustment to increase Metered Retail Sales by \$16,635,<sup>19</sup> to reflect the revenues from water rates calculated in the billing analysis.<sup>20</sup> Therefore, Commission Staff calculated the Normalized water sales at the current rates, and recommended the Commission accept Fleming Water's proposed adjustments to Metered Water Sales to normalize its revenues to the amounts indicated in its billing analysis because the amounts are known and measurable.<sup>21</sup>

The Commission finds that because of the July 2024 purchased water adjustment, Fleming Water's proposed adjustment to Metered Retail Sales is a known and measurable change reflected in the evidence of current rates and test-year sales provided in the record, and thus, Fleming Water's Metered Retail Sales should be increased by \$16,635.

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<sup>16</sup> Application, Attachment 4, Schedule of Adjusted Operations, Reference, Adjustment A.

<sup>17</sup> Application, Attachment 4, Schedule of Adjusted Operations, Reference, Adjustment A.

<sup>18</sup> Case No. 2024-00179, July 10, 2024 Order.

<sup>19</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment A.

<sup>20</sup> Application, Attachment 5, Current Billing Analysis.

<sup>21</sup> Commission Staff's Report at 9–10.

Other Revenues – Forfeited Discounts. In its application, Fleming Water proposed an adjustment to increase Forfeited Discounts by \$30,181 and decrease Other Water Revenues by the same \$30,181,<sup>22</sup> to reflect the reclassification of late fees from Other Water Revenues into its own category, Forfeited Discounts.<sup>23</sup> Fleming Water supplied a list of all the late fees charges during the test year;<sup>24</sup> Commission Staff reviewed the table and calculated total late fees charged of \$31,019. Fleming Water reported that the total Late Fees amount of \$31,019 initially provided was incorrect.<sup>25</sup> Fleming Water provided an additional list of all the late fee charges during the test year.<sup>26</sup> Commission Staff reviewed the amended table and calculated a total amount of Late Fees charged of \$30,181, the same amount as the original proposed adjustment. Commission Staff recommended the Commission accept Fleming Water’s \$30,181 decrease to Other Water Revenues, and the corresponding increase to Forfeited Discounts of the same \$30,181, to reflect the Late Fees amount collected during the test year being reclassified into the correct category.<sup>27</sup>

The Commission finds that Fleming Water’s adjustment is reasonable and should be accepted. Fleming Water’s Other Water Revenues should be reduced by \$30,181

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<sup>22</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment B.

<sup>23</sup> Application, Attachment 4, Schedule of Adjusted Operations, Reference, Adjustment B.

<sup>24</sup> Fleming Water’s Response to Staff’s First Request, Item 29, 29\_Late\_Fees.xlsx.

<sup>25</sup> Fleming Water’s Response to Staff’s Second Request, Item 6 at 5.

<sup>26</sup> Fleming Water’s Response to Staff’s Second Request, Item 6, 29\_Late\_Fees\_Corrected.xlsx.

<sup>27</sup> Commission Staff’s Report at 10–11.



and Forfeited Discounts should be increased by a corresponding \$30,181 to reflect the reclassification of Late Fees into the correct revenue category.

Miscellaneous Service Revenues – Non-Recurring Charges. During the test year, Fleming Water reported \$56,629 in Miscellaneous Service Revenues.<sup>28</sup> The \$56,629 is composed of \$39,338 of nonrecurring charges; a \$1,998 audit adjustment decrease; \$7,022 for other one-off payments and reimbursements; \$6,321 for a miscellaneous receipt check; and \$5,946 for a Service Charge adjustment.<sup>29</sup> The audit adjustments, other one-off payments and reimbursements, miscellaneous receipt checks, and the service charge adjustments are considered Non-Recurring Revenues and are further discussed in the Other Water Revenues – Non-Recurring Revenues adjustment. Commission Staff reviewed the General Ledger and reduced Miscellaneous Service Revenues by \$39,338<sup>30</sup> and reclassified it to Non-Recurring Charges

Commission Staff recommended the Commission accept Commission Staff's \$39,338 decrease to Miscellaneous Service Revenues, and the corresponding increase to Nonrecurring Charges of the same \$39,338, to reflect the Nonrecurring Charges recorded during the test year being reclassified into the correct category.<sup>31</sup>

The Commission finds that Commission Staff's recommended adjustment is reasonable and should be accepted as consistent with applicable accounting standard.

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<sup>28</sup> Application, Attachment 4, Schedule of Adjusted Operations.

<sup>29</sup> Fleming Water's Response to Staff's First Request, Item 1a, 1a\_General\_Ledger\_2023.xlsx, Rows 21,626 thru 22,090.

<sup>30</sup> Fleming Water's Response to Staff's First Request, Item 1a, 1a\_General\_Ledger\_2023.xlsx, Rows 21,626 thru 22,090.

<sup>31</sup> Commission Staff's Report at 11–12.

Fleming Water's Miscellaneous Service Revenues should be decreased by \$39,338 and Non-Recurring Charges should be increased by a corresponding \$39,338 because the adjustment to re-categorize the Non-Recurring Charges into the correct category is reflected in the evidence provided in the record.

Non-Recurring Charges. Fleming Water provided the number of instances that each nonrecurring charge was performed during the test period<sup>32</sup> as well as the cost justification sheets.<sup>33</sup> Commission Staff reviewed the responses, the cost justification sheets, and the general ledger. Commission Staff followed the Commission's precedent in removing field labor and office/clerical labor costs as these expenses are recovered as part of normal employee wages.<sup>34</sup> Using this information, as well as the current Non-Recurring Charge amounts listed in Fleming Water's current tariff, Commission Staff calculated a net test-period adjustment to revenue from Non-Recurring Charges of \$18,153. Fleming Water stated that it does not agree with the adjustment, but it did not wish to contest it,<sup>35</sup> resulting in a decrease to Non-Recurring Charges account of \$18,153.

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<sup>32</sup> Fleming Water's Response to Staff's First Request, Item 30, 30\_Nonrecurring\_Charges.

<sup>33</sup> Fleming Water's Response to Staff's First Request, Item 31, 31\_Nonrecurring\_Charges\_Justifications

<sup>34</sup> Case No. 2023-00299, *Electronic Application of Magoffin County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 24, 2024); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 5, 2024); Case No. 2023-00258, *Electronic Application of Kirksville Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00220, *Electronic Application of East Casey County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 21, 2024).

<sup>35</sup> Fleming Water's Response to Staff Report, Response\_to\_Staff\_Report.pdf, Item 1.

Commission Staff recommended the Commission accept Commission Staff's adjustment to Non-Recurring Charges because the amount is known and measurable.<sup>36</sup>

The Commission finds that Commission Staff's recommendation is reasonable and should be accepted. Fleming Water's Non-Recurring Charges should be reduced by \$18,153, because only the incremental cost related to the service shall be recovered for service provided during normal business hours.

Other Water Revenues – Non-Recurring Revenues. As discussed in the Miscellaneous Service Revenues – Non-Recurring Charges adjustment above, the \$56,629 test year amount of Miscellaneous Service Revenues is composed of \$39,338 for Non-Recurring Charges; a reduction to revenues of \$1,998 for audit adjustments; \$7,022 for other one-off payments and reimbursements; \$6,321 for Miscellaneous Receipt Check; and \$5,946 for Service Charge Adjustments.<sup>37</sup> Of the \$56,629, \$17,291 of the revenues arise from unusual transactions not expected to reoccur and, therefore, should be removed from the test year. Commission Staff recommended the Commission accept Commission Staff's adjustment to decrease Miscellaneous Service Revenues by \$17,291, as shown in the following table.<sup>38</sup>

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<sup>36</sup> Commission Staff's Report at 12.

<sup>37</sup> Fleming Water's Response to Staff's First Request, Item 1a, 1a\_General\_Ledger\_2023.xlsx, Rows 21,626 thru 22,090.

<sup>38</sup> Commission Staff's Report at 12–13.

Description	Amount
Audit Adjustments	\$ (1,998)
Other One-Off Payments and Reimbursement	7,022
Miscellaneous Receipt Checks	6,321
Service Charge Adjustment	5,946
Total Non-Recurring Revenues	<u>\$ 17,291</u>

The Commission finds that Commission Staff's recommended adjustment is reasonable and should be accepted. Fleming Water's Other Water Revenues should be decreased by \$17,291 because unusual transactions not expected to reoccur 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, Fleming Water proposed an adjustment to reduce Salaries and Wages Employees by \$9,425<sup>39</sup> due to reductions in employee roster and changes in wage rates.<sup>40</sup> Fleming Water provided the test-year employee list,<sup>41</sup> test-year regular and overtime hours worked,<sup>42</sup> current wage rates,<sup>43</sup> and a current employee list.<sup>44</sup> Two employees ceased employment during the test year of

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<sup>39</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment C.

<sup>40</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment C.

<sup>41</sup> Fleming Water's Additional Information on labor costs, 3 REVISED - 2023\_TEST\_YEAR - ALL\_EMPLOYEE\_HOURS\_AND\_PAY\_WITH\_OVERTIME\_HOLIDAY,\_SICK\_VACATION\_HOURS.xls (filed Nov. 7, 2024), Column B.

<sup>42</sup> Fleming Water's Additional Information on labor costs, 3 REVISED - 2023\_TEST\_YEAR - ALL\_EMPLOYEE\_HOURS\_AND\_PAY\_WITH\_OVERTIME\_HOLIDAY,\_SICK\_VACATION\_HOURS.xls (filed Nov. 7, 2024), Columns K, L, M, N, O, and P.

<sup>43</sup> Fleming Water's Additional Information on labor costs, 3 REVISED - 2023\_TEST\_YEAR - ALL\_EMPLOYEE\_HOURS\_AND\_PAY\_WITH\_OVERTIME\_HOLIDAY,\_SICK\_VACATION\_HOURS.xls (filed Nov. 7, 2024), Column H.

<sup>44</sup> Fleming Water's Response to Staff's First Request, Item 5, 5\_Employee\_List\_2024\_YTD.xls.

which one was replaced, and the other's work was absorbed in-house.<sup>45</sup> Commission Staff normalized the new employee's regular hours to 2,080. In addition, at the end of the test year, employees received an increase in wages.<sup>46</sup> Fleming Water also included a one-time salary payment bonus amount of \$19,500 during the test year.<sup>47</sup> The Board of Directors opted to give one-time salary payments for performance coupled with a smaller cost of living percentages on hourly rates.<sup>48</sup> Since the payment was a one-time amount, it is not likely to recur in future years and is, therefore, not reflective of normal operations and should be excluded from the pro forma calculation.

Commission Staff calculated a Normalized Salaries and Wages – Employees amount of \$492,463, a decrease of \$15,352, which is \$5,927 more than Fleming Water's proposed \$9,425 decrease, as shown in the following table.

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<sup>45</sup> Fleming Water's Additional Information on labor costs, 3 REVISED\_-2023\_TEST\_YEAR\_-ALL\_EMPLOYEE\_HOURS\_AND\_PAY\_WITH\_OVERTIME\_HOLIDAY,\_SICK\_VACATION\_HOURS.xlsx (filed Nov. 7, 2024), rows 13 and 14.

<sup>46</sup> Fleming Water's Additional Information on labor costs, 3 REVISED\_-2023\_TEST\_YEAR\_-ALL\_EMPLOYEE\_HOURS\_AND\_PAY\_WITH\_OVERTIME\_HOLIDAY,\_SICK\_VACATION\_HOURS.xlsx (filed Nov. 7, 2024), Columns G and H.

<sup>47</sup> Fleming Water's Additional Information on labor costs, 3 REVISED\_-2023\_TEST\_YEAR\_-ALL\_EMPLOYEE\_HOURS\_AND\_PAY\_WITH\_OVERTIME\_HOLIDAY,\_SICK\_VACATION\_HOURS.xlsx (filed Nov. 7, 2024), Column J.

<sup>48</sup> Fleming Water's Additional Information on labor costs, 3 REVISED\_-2023\_TEST\_YEAR\_-ALL\_EMPLOYEE\_HOURS\_AND\_PAY\_WITH\_OVERTIME\_HOLIDAY,\_SICK\_VACATION\_HOURS.xlsx (filed Nov. 7, 2024), Cell A21

Position	Test Year Regular Hours	Pro Forma Regular Wage Rate	Pro Forma Regular Wages	Pro Forma Overtime Wage Rate	Test Year Overtime Hours Worked	Pro Forma Overtime Wages	Total Pro Forma Wages
Superintendent	2,080	\$ 40.79	\$ 84,843	\$ 40.79	-	-	\$ 84,843
Maintenance Supervisor	2,080	27.26	56,701	40.89	50.5	2,065	58,766
Office Manager	2,080	25.43	52,894	38.15	1.5	57	52,952
Equipment Operator I	2,080	24.25	50,440	36.38	125.5	4,565	55,005
Accounts Payable	2,080	19.91	41,413	29.87	1.5	45	41,458
Water Operator II	2,080	19.08	39,686	28.62	66.0	1,889	41,575
Customer Service Rep	2,080	16.50	34,320	24.75	1.0	25	34,345
Water Operator II	2,080	19.08	39,686	28.62	157.0	4,493	44,180
Front Clerk	2,080	18.34	38,147	27.51	1.0	28	38,175
Water Operator Apprentice	2,080	16.50	34,320	24.75	104.0	2,574	36,894
Part Time Clerk	285	15.00	4,271	22.50	-	-	4,271
Total	<u>21,085</u>		<u>\$ 476,722</u>		<u>508.0</u>	<u>\$ 15,741</u>	<u>492,463</u>
Less: Test Year Salaries and Wages							(507,815)
Commission Staff's Adjustment							(15,352)
Less: Fleming Water's Proposed Adjustment							9,425
Difference between Commission Staff's Adjustment and Fleming Water's Adjustment							<u>\$ (5,927)</u>

Commission Staff recommended the Commission accept Commission Staff's \$15,352 decrease to Salaries and Wages – Employees, because it reflects the test year hours calculated using current wage rates with current employees count.<sup>49</sup>

The Commission finds that Commission Staff's recommended adjustment should be accepted. Fleming Water's Salaries and Wages- Employees should be decreased by \$15,352 because the adjustment to normalize Salaries and Wages – Employees described above is known and measurable change reflected in the evidence provided in the record.

Expenses Related to Meter Installations. In its application, Fleming Water proposed an adjustment to decrease Salaries and Wages – Employees by \$26,970,<sup>50</sup> and Materials and Supplies by \$62,930,<sup>51</sup> to properly account for new meter installation (tap fee)

<sup>49</sup> Commission Staffs Report at 13–15.

<sup>50</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment D.

<sup>51</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment D.

expenses that were included as operating expenses during the test year.<sup>52</sup> The Uniform System of Accounts for Class A/B Water Systems (USoA) requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.<sup>53</sup> During the test year, Fleming Water installed 62 new water connections<sup>54</sup> and collected \$89,900.<sup>55</sup> Therefore, Commission Staff agreed with Fleming Water’s proposed adjustments, as shown in the following table.

Description	Salaries and Wages	Materials and Supplies
Tap Fees Collected	\$ 89,900	\$ 89,900
Allocated Percentage	30%	70%
Fleming Water's Proposed Adjustment	<u>\$ (26,970)</u>	<u>\$ (62,930)</u>

Additionally, Fleming Water confirmed that it did not capitalize the water tap labor,<sup>56</sup> but capitalized the cost of the water meter. All other materials were expensed.<sup>57</sup> Therefore, Commission Staff capitalized the full labor costs and made a corresponding adjustment to test-year depreciation as shown in Capitalization of Water Tap Labor adjustment.

Commission Staff recommended the Commission accept Fleming Water’s proposed decreases of \$26,970 to Salaries and Wages – Employees and \$62,930 to

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<sup>52</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment D.

<sup>53</sup> USoA, Accounting Instruction 19 and 33, USoA Account 334. Meters and Meter Installations.

<sup>54</sup> Fleming Water’s Response to Staff’s First Request, Item 20a.

<sup>55</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment D.

<sup>56</sup> Fleming Water’s Response to Staff’s First Request, Item 20b.

<sup>57</sup> Fleming Water’s Response to Staff’s First Request, Item 20c.

Materials and Supplies because it reflects the proper accounting for water connection expenses according to the USoA.<sup>58</sup>

The Commission finds that Fleming Water's adjustment is reasonable and should be accepted. Fleming Water's Salaries and Wages – Employees should be reduced by \$26,970, and Materials and Supplies should be reduced by \$62,930 with a corresponding adjustment to test-year depreciation as shown in Capitalization of Water Tap Labor because the USoA requires that costs be capitalized as utility plant is service and depreciated over their estimated useful lives.

Salaries and Wages - Officers. In the application, Fleming Water proposed an adjustment to increase Salaries and Wages - Officers Expense by \$400,<sup>59</sup> because a director position was vacant for 2 months and adjusted the total directors' salary to account for it.<sup>60</sup> Fleming Water provided a list of the current directors and wages.<sup>61</sup> Each director receives \$200 per month.<sup>62</sup> Commission Staff calculated a normalized Salaries and Wages – Officers expense of \$14,400, as shown in the following table. Commission Staff agreed with Fleming Water's proposed adjustment to Salaries and Wages – Officers.

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<sup>58</sup> Commission Staff's Report at 15–16.

<sup>59</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment E.

<sup>60</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment E.

<sup>61</sup> Fleming Water's Response to Staff's First Request, Item 15, 15\_Directors\_Wages\_and\_Benefits.xlsx.

<sup>62</sup> Fleming Water's Response to Staff's First Request, Item 15, 15\_Directors\_Wages\_and\_Benefits.xlsx, Cell A11.



Directors	Pro Forma Salaries
Stephen H Miller	\$ 2,400
Connie Crain	2,400
Wayne Craft	2,400
Charles Marshall	2,400
Phillip C Wagoner	2,400
Rhonda Hawkins	2,400
Total Salaries and Wages - Officers	14,400
Less: Test Year Salaries and Wages - Officers ( )	(14,000)
Commission Staff's Adjustment	\$ 400
Less: Fleming Water's Proposed Adjustment	(400)
Difference between Commission Staff's Adjustment and Fleming Water's Adjustment	\$ -

Commission Staff recommended the Commission accept Fleming Water's proposed \$400 increase to Salaries and Wages – Officers, because it reflects a normalized year's wages for the Officers.<sup>63</sup>

The Commission finds that Commission Staff's recommended adjustments should be accepted. Fleming Water's Salaries and Wages - Officers should be increased by \$400 because the known and measurable change is a direct result of the annualization of Fleming Water's current officers for an entire year.

Employee Pensions and Benefits – Retirement. Fleming Water provides its employees a 401(k) for all full-time employees.<sup>64</sup> In the application, Fleming Water proposed an adjustment to increase Employee Pensions and Benefits expense

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<sup>63</sup> Commission Staff's Report at 16–17.

<sup>64</sup> Fleming Water's Response to Staff's First Request, Item 3, 3\_Benefits\_Description.pdf.

by \$1,341<sup>65</sup> to reflect changes in salaries and wages and participation in the 401(k) plan.<sup>66</sup> Fleming Water contributes up to a 10 percent match of all full-time Employees' Salaries.<sup>67</sup>

Utilizing the total pro forma wages of \$492,463, calculated in the Salaries and Wages adjustment; and Fleming Water's 10 percent contribution rate to the 401(k); Commission Staff calculated a Pro Forma Retirement contribution of \$49,246, which is \$1,900 greater than the test year amount, and \$559 more than proposed by Fleming Water, as shown in the following table.

Description	Test Year
Pro Forma - Full Time Regular Wages	\$ 492,463
Multiplied by: Contribution Rate	10.00%
Contributions	49,246
Less: Test year Contribution	(47,346)
Commission Staff's Adjustment	1,900
Less: Fleming Water's Proposed Adjustment	(1,341)
Difference between Commission Staff's Adjustment and Fleming Water's Adjustment	<u>\$ 559</u>

Commission Staff recommended the Commission accept Commission Staff's \$1,900 increase to Employee Pensions, because it reflects the increase of employee retirement expense due to an increase in Salaries and Wages – Employees.<sup>68</sup>

The Commission finds that Commission Staff's recommended adjustments should be accepted. Fleming Water's Employee Benefits – Pensions should be increased by \$1,900 because the known and measurable change, described above, is a direct result of changes to Salaries and Wages – Employees.

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<sup>65</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment F.

<sup>66</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment F.

<sup>67</sup> Fleming Water's Response to Staff's First Request, Item 3, 3\_Benefits\_Description.pdf.

<sup>68</sup> Commission Staff's Report at 17–18.

Employee Pensions and Benefits – Insurance Premiums. In the application, Fleming Water proposed an adjustment to decrease Employee Pensions and Benefits expense by \$21,048,<sup>69</sup> to reflect employees’ health insurance contributions based on the Bureau of Labor Statistics national average for an employee’s share of premiums.<sup>70</sup> Fleming Water pays 100 percent of the cost of the single plan for each employee, and 85 percent of the cost the family portion of the plan costs.<sup>71</sup> The Commission continues to place greater emphasis on evaluating 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 that, in most cases, 100 percent of employer-funded health care does not meet those criteria.<sup>72</sup> In Case No. 2019-00053 the Commission ruled 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>73</sup> Commission Staff agreed with

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<sup>69</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment F.

<sup>70</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment F.

<sup>71</sup> Fleming Water’s Response to Staff’s First Request, Item 3, 3\_Benefits\_Description.pdf.

<sup>72</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>73</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.

Fleming Water's proposed adjustment methodology; however, Commission Staff calculated a different adjustment amount. Consistent with the Bureau of Labor Statistics (BLS) averages, Fleming Water's contribution rate was adjusted to match current private industry levels since they are Fleming Water's direct market competitors for personnel. Therefore, Commission Staff adjusted Fleming Water's single health insurance plan premiums employer contribution expense to 80 percent,<sup>74</sup> and family insurance plan premiums employer contribution expense to 68 percent,<sup>75</sup> as shown in the calculation below. Fleming Water provided the most recent copy of its health insurance invoice, for October 2024.<sup>76</sup> The invoice shows nine employees currently receive insurance through Fleming Water.<sup>77</sup> Accordingly, utilizing the most recent invoice amounts, Commission Staff recalculated the proposed adjustment and decreased Employee Benefits by \$19,788, which is \$1,260 less than proposed by Fleming Water, as shown below.

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<sup>74</sup> Bureau of Labor Statistics, Employee Benefits in the United States – March 2024, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

<sup>75</sup> Bureau of Labor Statistics, Employee Benefits in the United States – March 2024, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

<sup>76</sup> Fleming Water's Response to Staff's First Request, Item 4, 4\_KACO\_Health.pdf.

<sup>77</sup> Fleming Water's Response to Staff's First Request, Item 4, 4\_KACO\_Health.pdf.

Type of Premium	Number of Employees	Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Employee Only	3	\$ 1,880	20%	\$ (376)	\$ 1,504
Employee Spouse	2	2,602.86	32%	(833)	1,770
Employee Child	1	1,117.41	32%	(358)	760
Family	3	5,928.51	32%	(1,897)	4,031
Total Monthly Pro Forma Premium	9	11,529		(3,464)	8,065
Multiplied by: 12 Months		12		12	12
Total Annual Health Insurance Premium		<u>\$ 138,346</u>		<u>(41,563)</u>	96,783
Plus: 2024 Retiree Health Reimbursement					7,496
Employee Life Insurance Premium					2,823
Total Insurance Premiums					107,102
Less: Test Year Insurance Premium ( )					(126,890)
Commission Staff's Adjustment					(19,788)
Less: Fleming Water's Proposed Adjustment					21,048
Difference between Commission Staff's Adjustment and Fleming Water's Adjustment					<u>\$ 1,260</u>

Commission Staff recommended the Commission accept Commission Staff's \$19,788 decrease to Employee Benefits; to reflect the change in insurance premiums and the reduction of Employee insurance employer contributions to the average contribution based on the BLS statistics.<sup>78</sup>

The Commission finds Commission Staff's recommended adjustment should be accepted. Fleming Water's Employee Benefits are decreased by \$19,788, because it is a known and measurable change consistent with the precedent established in previous cases regarding the evaluation of employees' total compensation packages for market and geographic competitiveness that ensure the development of a fair, just and reasonable rate.<sup>79</sup> In addition, it reflects the current expenses based on invoices contained in the record.

<sup>78</sup> Commission Staff's Report at 18–20.

<sup>79</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.

Purchased Water Expense. In its application, Fleming Water proposed an adjustment to increase its Purchased Water Expense by \$21,327,<sup>80</sup> to reflect an increase to its wholesale water supplier's rate.<sup>81</sup> Fleming Water purchases water from Greater Fleming County Regional Water Commission, Rowan Water Association and the Vanceburg Electric Plant Board.<sup>82</sup> Subsequent to the test year, effective July 1, 2024, Greater Fleming County Regional Water Commission, whose wholesale rate is not subject to Commission jurisdiction, increased its wholesale rate to Fleming Water to \$0.00207 per gallon.<sup>83</sup> Fleming Water provided the current rate charged by each of its water vendors,<sup>84</sup> as well as the gallons purchased from each vendor throughout the test year,<sup>85</sup> in addition to any minimum monthly bills.<sup>86</sup> Commission Staff calculated Purchased Water Expense using the test-year gallons purchased, and the current rates resulting in a pro forma Purchased Water Expense of \$680,409, as shown in the following table. Commission Staff calculated an increase to Purchased Water Expense of \$28,156, which is \$6,829 more than proposed by Fleming Water.

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<sup>80</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment H.

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

<sup>82</sup> 2023 Annual report at 54.

<sup>83</sup> Case No, 2024-00179, Application, Suppliers\_notice\_of\_Changed\_Rate-\_Case\_2024-00179.pdf, Exhibit A at 2.

<sup>84</sup> Fleming Water's Response to Staff's First Request, Item 22.

<sup>85</sup> Fleming Water's Response to Staff's First Request, Item 21, 21\_Water\_Purchases.xlsx.

<sup>86</sup> Fleming Water's Response to Staff's First Request, Item 22.

Month	Greater Fleming County Regional Water Commission		Rowan Water Association		Vanceburg EPB		Total
	Gallons	Cost	Gallons	Cost	Gallons	Cost	
January	\$ 28,853,000	\$ 59,726	\$ 902,400	\$ 2,464	\$ -	\$ -	\$ 62,189
February	24,819,000	51,750	898,700	2,453	-	-	54,203
March	20,771,000	51,750	803,800	2,194	-	-	53,944
April	24,809,000	51,750	808,100	2,206	-	-	53,956
May	24,688,000	51,750	771,500	2,106	-	-	53,856
June	27,834,000	57,616	911,400	2,488	1,589,500	2,670	62,775
July	26,692,000	55,252	870,300	2,376	341,900	574	58,203
August	25,989,000	53,797	1,475,500	4,028	193,300	325	58,150
September	28,023,000	58,008	942,000	2,572	164,800	277	60,856
October	24,892,000	51,750	681,700	1,861	-	-	53,611
November	24,200,000	51,750	891,000	2,432	-	-	54,182
December	23,107,000	51,750	1,000,700	2,732	-	-	54,482
<b>Total</b>	<b>304,677,000</b>	<b>\$ 646,649</b>	<b>10,957,100</b>	<b>\$ 29,913</b>	<b>2,289,500</b>	<b>\$ 3,846</b>	<b>680,409</b>
Less Test Year Purchased Water ( )							(652,253)
Commission Staff's Adjustment							28,156
Less: Fleming Water's Proposed Adjustment							(21,327)
Difference between Commission Staff's Adjustment and Fleming Water's Adjustment							<u>\$ 6,829</u>

Commission Staff recommended the Commission accept Commission Staff's \$28,156 increase to Purchase Water Expense; to reflect the normalization of water purchased during the test year to current rates charged.<sup>87</sup>

The Commission finds that Commission Staff's recommended adjustments should be accepted. Fleming Water's Purchased Water Expense should be increased by \$28,156 given the Greater Fleming County Regional Water Commission increase in its water rate, as a known and measurable change that reflects the normalization of water purchased during the test year to current rates charges.

Contractual Services. In its application, Fleming Water proposed an adjustment to increase Contractual Services by \$59,183,<sup>88</sup> to account for a 2024 upgrade to the billing system and associated operations.<sup>89</sup> Fleming Water's proposed adjustment is composed

<sup>87</sup> Commission Staff's Report at 20–22.

<sup>88</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment I.

<sup>89</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment I.

of a \$6,124 decrease to Account 00620-0085 Hardware/software maintenance, and a \$65,038 increase to account 00635-007 Monthly Billing – Postage;<sup>90</sup> however, Fleming Water included all the adjustment to Contractual Services.

Fleming Water provided the service contract details with United Systems. United Systems charges Fleming Water \$1.69 per customer,<sup>91</sup> using the most recent number of customers of 4,606<sup>92</sup> and a 6 percent sales tax.<sup>93</sup> Commission Staff recalculated the contracted amount and disagreed with the proposed increase of \$59,183, instead Commission Staff calculated an increase of \$65,052, which is \$5,869 more than proposed by Fleming Water, as shown in the following table.

Description	Amount
Monthly charge per customer account	\$ 1.69
Number of Customers	4,606
Application and Service Charges	7,784
Sales Tax: 6 percent	467
Total Monthly Application and Service Charges	8,251
Multiplied by: 12 Months	12
Total Annual Application and Service Charges	99,014
Test Year Billing - Postage ( )	(33,962)
Commission Staff's Adjustment	65,052
Less: Fleming Water's Proposed Adjustment	(59,183)
Difference between Commission Staff's Adjustment and Fleming Water's Adjustment	<u>\$ 5,869</u>

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<sup>90</sup> Fleming Water's Additional Information on adjustments to contractual services expense, (Filed Nov. 26, 2024).

<sup>91</sup> Fleming Water's Response to Staff's First Request, Item 9, 9\_Billing\_Software.pdf at 6.

<sup>92</sup> Fleming Water's Response to Staff's First Request, Item 9, 9\_Billing\_Software.pdf at 22.

<sup>93</sup> Fleming Water's Response to Staff's First Request, Item 9, 9\_Billing\_Software.pdf at 22.



In addition to the increase in Contractual Services, a \$6,124 decrease was proposed by Fleming Water as part of Contractual Services; however, the Account 00620-0085 Hardware/Software Maintenance is part of Material and supplies.<sup>94</sup>

Therefore, Commission Staff also proposed a \$6,124 decrease to Materials and Supplies expense to account for the reduction in Hardware/Software Maintenance expense projected by Fleming Water.<sup>95</sup>

Commission Staff recommended the Commission accept Commission Staff's \$6,125 decrease to Materials and Supplies, to reflect the reduction in antivirus software from the test year, according to the evidence on record.<sup>96</sup> Commission Staff also recommended the Commission accept Commission Staff's \$65,052 increase to Contractual Services; to reflect the 2024 billing software contract according to the evidence on record.<sup>97</sup>

The Commission finds that Commission Staff's recommended adjustments should be accepted. Fleming Water's Employee Materials and Supplies should be decreased by \$6,125 and Fleming Water's Contractual Services should be increased by \$65,052 because the known and measurable change is a direct result of the billing software contract.

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<sup>94</sup> Fleming Water's Response to Staff's First Request, Item 1c, 1c\_Cross\_Reference.xlsx, Row 45.

<sup>95</sup> Fleming Water's Additional Information on adjustments to contractual services expense.

<sup>96</sup> Commission Staff's Report at 22–23.

<sup>97</sup> Commission Staff's Report at 22–23.

Insurance. In its application, Fleming Water proposed an adjustment to increase Insurance Expense by \$7,786,<sup>98</sup> to account for an increase in the general property and liability insurance premium for 2024.<sup>99</sup> Fleming Water provided several quotes for insurance.<sup>100</sup> Fleming Water accepted the quote provided by Hickerson Agency (Flemingsburg) – Kentucky League of Cities quote (Hickerson Agency quote), of \$30,819.<sup>101</sup>

Fleming Water's test-year Insurance Expense is comprised of General Liability Insurance, Workers Compensation Insurance, and Other Insurance.<sup>102</sup> Fleming Water's proposed adjustment compared the quoted \$30,819 to the test year's General Liability insurance of \$23,033.<sup>103</sup> Fleming Water's quote exceeded the test-year Insurance expense by \$1,621. Commission Staff determined that the Hickerson Agency quote included \$3,975 Workers Compensation insurance<sup>104</sup> and \$2,189 Other Insurances,<sup>105</sup> therefore they were double counted in the pro forma adjustment. Commission Staff

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

<sup>99</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment J.

<sup>100</sup> Fleming Water's Response to Staff's Second Request, Item 10a, 10a\_Insurance\_Renewal\_Evaluation.xlsx.

<sup>101</sup> Fleming Water's Response to Staff's Second Request, Item 10a, 10a\_Insurance\_Renewal\_Evaluation.xlsx, Cell A33.

<sup>102</sup> Fleming Water's Response to Staff's First Request, Item 1c, 1c\_Cross\_Reference.xlsx, Cells H69 thru H71.

<sup>103</sup> Fleming Water's Response to Staff's First Request, Item 1d, 1d\_Rate\_Model.xlsx, SAO Tab, Cell G28.

<sup>104</sup> Fleming Water's Response to Staff's First Request, Item 1c, 1c\_Cross\_Reference.xlsx, Cell H69.

<sup>105</sup> Fleming Water's Response to Staff's First Request, Item 1c, 1c\_Cross\_Reference.xlsx, Cell H70.

proposed to increase Insurance Expense by \$1,621, which is \$6,165 less than proposed by Fleming Water, in order to not include the double counting of Workers compensation and other insurances, as shown in the following table. Commission Staff recommended the Commission accept Commission Staff's \$1,621 increase to Insurance Expense to reflect the change in insurance premiums for 2024.<sup>106</sup>

Description	Amount
Pro Forma Insurance Expense	\$ 30,819
Less: 00657-0000 General Liability Insurance ( )	(23,033)
00658-0000 Workers Compensation Insurance ( )	(3,975)
00659-0000 Other Insurance ( )	(2,190)
Total Test Year Insurance Expense ( )	<u>(29,198)</u>
Commission Staff's Adjustment	1,621
Less: Fleming Water's Proposed Adjustment	(7,786)
Difference between Commission Staff's Adjustment and Fleming Water's Adjustment	<u><u>\$ (6,165)</u></u>

The Commission finds that Commission Staff's recommended adjustments should be accepted. Fleming Water's Insurance Expense should be increased by \$1,621 because the known and measurable change is a direct result of changes to the insurance premiums compared to the complete test-year Insurance Expense.

Depreciation Expense. In its Application, Fleming Water proposed an adjustment to increase Depreciation Expense by \$33,947,<sup>107</sup> to adjust the service lives of assets using a published survey of the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Utilities* (NARUC Study).<sup>108</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

<sup>106</sup> Commission Staff's Report at 24–25.

<sup>107</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment K.

<sup>108</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment K.

a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC study's ranges to depreciate the utility plant.<sup>109</sup> Upon examination, Commission Staff agreed with Fleming Water's methodology to adjust depreciation expense. However, Commission Staff's calculation differed from Fleming Water in three subcategories: Reservoirs and Tanks, Transportation Equipment, and Radio Read Meters. For the Reservoirs and Tanks, and Transportation Equipment subcategories, Fleming Water calculated depreciation expense by taking the entire categories' Book Cost, including assets that were fully depreciated, and dividing by the NARUC recommended service life midpoint. Commission Staff reviewed each asset and calculated the pro forma depreciation for only the assets that were not fully depreciated.

For the Radio Read Meters, Fleming Water proposed to depreciate the meters over a 10-year service life.<sup>110</sup> Commission Staff disagreed with Fleming Water's proposal to use a 10-year service life for Radio Read meters. The Commission has observed that newer radio read meters do not possess the same durability as the older mechanical read meters, mechanical meters typically maintained accuracy for at least 40 years, which is why NARUC recommended a midpoint service life of 40 years. However radio read meters typically only maintain their accuracy for approximately 15–20 years; therefore, the Commission has ordered that unless evidence is supplied to justify a different useful

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<sup>109</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; and Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

<sup>110</sup> Application, Attachment 4, Table A, Depreciation Expense Adjustments.

life, radio read meters should be depreciated over a 20-year service life.<sup>111</sup> Fleming Water did not provide any test records or warranty reports to justify the 10-year proposed life, only a statement that its experience justified the service life.<sup>112</sup> However, it did state that in 2020 Fleming Water switched to Badger meters and has experienced much better service and quality with the Badger meters.<sup>113</sup> Without any test records or failure reports to justify the 10-year service life, Commission Staff recommended to depreciate the radio read meters over the recommended 20-year useful life.<sup>114</sup>

Commission Staff calculated Depreciation Expense of \$324,747, as shown in the following table, which is \$28,368 less than the reported test year amount of \$353,115 and \$62,315 less than Fleming Water's proposed \$33,947 increase to Depreciation Expense.

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<sup>111</sup> 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), Order at 16. Case No. 2024-00061, *Electronic Application of Butler County Water System, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 1, 2024), Order at 19–20. Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 29, 2024), Order at 21–22.

<sup>112</sup> Fleming Water's Response to Staff's First Request, Item 11a.

<sup>113</sup> Fleming Water's Response to Staff's Second Request, Item 9a.

<sup>114</sup> Commission Staff's Report at 25–28.

Asset Class	NARUC		Depreciation Adjustment	Pro Forma Depreciation
	Recommended Service Lives	Test Year Depreciation		
Structures and Improvements	35 - 40	\$ 9,145	\$ (29)	\$ 9,116
Communication Equipment	10	5,217	(494)	4,723
Furniture and Equipment	20 - 25	581	(265)	316
Computers, Electronics, and software	10	5,253	(1,781)	3,472
Structures and Improvements	35 - 40	3,044	(1,492)	1,552
Power Operated Equipment	10 - 15	11,748	(1,858)	9,890
Communication Equipment	10	98	-	98
Pumping Equipment	20	1,519	868	2,387
Reservoirs and Tanks	30 - 60	29,267	(3,417)	25,850
Tools, Shop, & Garage Equipment	15 - 20	739	(317)	422
Transportation Equipment	7	21,658	(1,798)	19,860
Transmission & Distribution Mains	50 - 75	202,357	(41,473)	160,884
Services	30 - 50	3,044	761	3,805
Radio Read Meters	20	57,366	(17,384)	39,982
2024 Additions				
Transportation	7	-	18,646	18,646
Power Operated Equipment	10 - 15	-	7,097	7,097
Radio Read Meters	20	-	24,340	24,340
2024 Disposals				
Transportation	7	-	(7,693)	(7,693)
Pro Forma Depreciation Expense		<u>\$ 351,036</u>	<u>\$ (26,289)</u>	324,747
Less: Test Year Depreciation Expense ( )				(353,115)
Commission Staff's Adjustment				(28,368)
Less: Fleming Water's Proposed Adjustment				(33,947)
Difference between Commission Staff's Adjustment and Fleming Water's Adjustment				<u>\$ (62,315)</u>

Commission Staff recommended the Commission accept Commission Staff's \$28,368 decrease to Depreciation Expense; to reflect the annualization of Depreciation expense at the recommended NARUC midpoint service lives.<sup>115</sup>

The Commission finds that Commission Staff's recommended adjustments and should be accepted. Fleming Water's Depreciation Expense should be decreased by \$28,368 because the known and measurable change is a direct result of aligning Fleming Water's capital asset's useful lives with the NARUC Study's recommended useful lives,

<sup>115</sup> Commission Staff's Report at 25–28.

only recording depreciation for the assets that were not already fully depreciated, as well as setting the Service lives for the radio-read meters at 20 years.

Capitalization of Water Tap Labor. As explained in the Expenses Related to Meter Installations adjustment above, the expenses related to the installation of new water connections are capital expenditures that should be capitalized as Utility Plant in Service and depreciated over their estimated useful lives. Fleming Water confirmed that it has already capitalized the cost of the water meters,<sup>116</sup> but did not capitalize the labor costs or the remaining materials used.<sup>117</sup> Commission Staff calculated the annual depreciation amount for the test year and increased depreciation expense by \$653 as shown below:

Description	Amount
Tap Fee Labor	\$ 26,970
Divided by: NARUC Recommended Life	42.5
Depreciation Adjustment	<u>\$ 635</u>

Commission Staff recommended the Commission accept Commission Staff's \$635 increase to Depreciation Expense, because the USoA requires capital assets to be depreciated over their estimated useful lives.<sup>118</sup>

The Commission finds that Commission Staff's recommended adjustments should be accepted. Fleming Water's Depreciation Expense should be increased by \$635 because the known and measurable amount reflects USoA requirement for assets to be depreciated over their estimated useful lives.

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<sup>116</sup> Fleming Water's Response to Staff's First Request, Item 20c.

<sup>117</sup> Fleming Water's Response to Staff's First Request, Item 20b.

<sup>118</sup> Commission Staff's Report at 28.

Taxes Other Than Income. In its application, Fleming Water proposed an adjustment to increase Taxes Other Than Income by \$184,<sup>119</sup> to reflect an increase in payroll taxes.<sup>120</sup> As explained in Salaries and Wages – Employees and Salaries and Wages – Officers adjustments above, Commission Staff calculated Fleming Water’s pro forma Salaries and Wages – Employees of \$492,463 and Salaries and Wages – Officers of \$14,400. Therefore, Commission Staff calculated an increase to Taxes Other Than Income of \$832, which is \$648 more than proposed by Fleming Water, as shown in the following table.

Description	Commission Staff's
Salaries and Wages - Employees	\$ 492,463
Salaries and Wages - Officers	14,400
Total	<u>506,863</u>
Times: 7.65 Percent FICA Rate	7.65%
Pro Forma Payroll Taxes	<u>38,775</u>
Test Year Payroll Taxes ( )	<u>(37,943)</u>
Commission Staff's Adjustment	832
Less: Fleming Water's Proposed Adjustment	(184)
Difference between Commission Staff's Adjustment and Fleming Water's Adjustment	<u><u>\$ 648</u></u>

Commission Staff recommended the Commission approve the adjustment to increase Taxes Other Than Income by \$832, because it is a direct result from changes to Salaries and Wages – Employees and Salaries and Wages - Officers.<sup>121</sup>

The Commission finds that Commission Staff’s recommended adjustment should be accepted. Fleming Water’s Taxes Other Than Income should be increased by \$832

<sup>119</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment C.

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

<sup>121</sup> Commission Staff’s Report at 28–29.



because the known and measurable change is a direct result of changes to Salaries and Wages – Employees.

Revenues from Contracted Work. In its Application, Fleming Water proposed an adjustment to decrease Revenues from Contracted Work of \$108,691 by \$102,691,<sup>122</sup> to remove of Tap-On fees collected.<sup>123</sup> The USoA states that customer contributions for the installation of meters should be recorded as Contributions in Aid of Construction and credited to Account 271 – Contributions in Aid of Construction.<sup>124</sup> Commission Staff reviewed the Adjusted Trial balance and determined that \$102,691 of Revenue – Tap-On Fees was reported for the test year.<sup>125</sup> Revenues from Contracted Work is composed of Tap-On fees and Altius monthly tower rental revenues.<sup>126</sup> Therefore, Commission Staff agreed with Fleming Water’s proposed adjustment to remove the Water Tap-On revenues.<sup>127</sup> Commission Staff recommended the Commission accept Fleming Water’s proposed decrease to Revenues from Contracted Work, since according to the USoA, the revenues from Tap-On fees is not recorded as revenues but as Contributions in Aid of Construction.<sup>128</sup>

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<sup>122</sup> Application, Attachment 4, Schedule of Adjusted Operations, Adjustment N.

<sup>123</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment N.

<sup>124</sup> Uniform System of Accounts for Class A/B Water Companies at 98, Account 334 Meters and Meter Installation, Note C.

<sup>125</sup> Fleming Water’s Response to Staff’s First Request, Item 1b, 1b\_Trial\_Balance\_2023.xlsx, Account 00472-0000 REVENUE – TAP ON FEES, Cell K130.

<sup>126</sup> Fleming Water’s Response to Staff’s First Request, Item 1c, 1c\_Cross\_Reference.xlsx, Cells H151 and H153.

<sup>127</sup> Commission Staff’s Report at 29–30.

<sup>128</sup> Commission Staff’s Report at 29–30.

The Commission finds that Fleming Water’s recommended adjustment should be accepted. Fleming Water’s Revenues from Contracted Work should be decreased by \$102,691 because the known and measurable change since as discussed, the USoA states the revenues from Tap-On fees are recorded as Contributions in Aid of Construction.

SUMMARY OF ADJUSTMENTS

Based upon the Commission’s findings discussed above, the following table summarizes Fleming Water’s adjusted pro forma:

Description	Commission Staff's Pro Forma	Pro Forma Adjustment	Pro Forma
Contractual Services	\$2,097,741	\$ -	\$2,097,741
Total Operating Expenses ( )	(2,191,691)	-	(2,191,691)
Net Operating Income	(93,950)	-	(93,950)
Revenues from Contracted Work	6,000	-	6,000
Interest Income	16,447	-	16,447
Net Nonutility Income	1,382	-	1,382
Income Available to Service Debt	<u>\$ (70,121)</u>	<u>\$ -</u>	<u>\$ (70,121)</u>

REVENUE REQUIREMENT

The Commission has historically applied the Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations.<sup>129</sup> This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a noncash item, to provide working

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<sup>129</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).

capital;<sup>130</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.

Description	Commission Staff's Report	Commission Approved
Pro Forma Operating Expenses	\$ 2,191,691	\$ 2,191,691
Average Annual Principal and Interest Payments	146,742	146,742
Additional Working Capital at 20%	29,348	29,348
Total Revenue Requirement	2,367,781	2,367,781
Other Revenue ( )	(51,366)	(51,366)
Revenue from Contracted Work ( )	(6,000)	(6,000)
Interest Income ( )	(16,447)	(16,447)
Net Nonutility Income ( )	(1,382)	(1,382)
Revenue Required From Water Sales	2,292,586	2,292,586
Revenue from Sales at Present Rates ( )	(2,046,375)	(2,046,375)
Required Revenue Increase / (Decrease)	<u>\$ 246,211</u>	<u>\$ 246,211</u>
Percentage Increase / (Decrease)	<u>12.03%</u>	<u>12.03%</u>

1. Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Fleming Water had three Bonds with United States Department of Agriculture (USDA) Rural Development (RD),<sup>131</sup> and one outstanding

<sup>130</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).

<sup>131</sup> Case No. 2004-00280, *The Application of Fleming County Water Association, Inc. of Flemingsburg, Ky for (1) A Certificate of Public Convenience and Necessity (2) Approval of the Proposed Plan of Financing Said Project* (Ky. PSC Aug. 24, 2004). Case No. 2009-00163, *Application of Fleming County Water Association, Inc. for (1) A Certificate of Public Convenience and Necessity (2) Approval of the Proposed Plan of Financing Said Project and (3) An order Approving the Adjustment of Rates* (Ky. PSC May 28, 2009). Case No. 2014-00265, *Application of Fleming County Water Association for a Certificate*

Kentucky Rural Water Finance Corporation (KRWFC) bond.<sup>132</sup> In its application, Fleming Water requested recovery of the average annual principal and interest on its indebtedness based on an average of the annual principal, and interest and fee payments for the five years following the test year, which is 2025 through 2029.<sup>133</sup> Commission Staff calculated the average annual principal and interest, and agreed with Fleming Water’s proposed Average Annual Principal and Interest Payments of \$146,742,<sup>134</sup> as shown in the following table.

Year	2004 RD		2009 RD		2015 RD		2015 KRWFC		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2025	\$ 12,739	\$ 17,959	\$ 7,531	\$ 10,803	\$ 18,128	\$ 22,784	\$ 40,000	\$ 17,047	\$ 146,991
2026	13,312	17,386	7,804	10,530	18,627	22,285	40,000	15,536	145,480
2027	13,911	16,787	8,087	10,247	19,139	21,773	44,583	13,996	148,523
2028	14,537	16,161	8,380	9,954	19,607	21,305	45,000	12,279	147,223
2029	15,191	15,507	8,684	9,650	20,204	20,708	45,000	10,547	145,491
Totals	<u>\$69,690</u>	<u>\$83,800</u>	<u>\$40,486</u>	<u>\$51,184</u>	<u>\$95,705</u>	<u>\$108,855</u>	<u>\$214,583</u>	<u>\$69,406</u>	733,709
Divided by: 5 Years									5
Average Annual Principal & Interest									<u>\$146,742</u>

The Commission finds Commission Staff’s calculated Average Interest and Principal Payments of \$146,742 should be included in Fleming Water’s Revenue Requirement because the DSC methodology allows for the recovery of the principal and interest payments.

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*of Public Convenience and Necessity, Approval of the Proposed Plan of Financing and an Order Approving the Adjustment of Rates (Ky. PSC Aug. 25, 2014).*

<sup>132</sup> Case No. 2015-00006, *Application of the Fleming County Water Association, Inc. to Issue Securities in The Approximate Principal Amount of \$790,000 for the Purpose of Refunding Certain Outstanding Indebtedness of the Association Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001 (Ky. PSC Jan. 22, 2015).*

<sup>133</sup> Application, Attachment 4, Revenue Requirements Calculation, Table B, Debt Service Schedule.

<sup>134</sup> Commission Staff’s Report at 31–32.

2. Additional Working Capital. The DSC method includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its application, Fleming Water requested recovery of an allowance for working capital that is equal to 120 percent of its average annual principal and debt payments at the time of its application for a total of \$29,348.<sup>135</sup>

Pursuant to the DSC method,<sup>136</sup> Commission Staff agreed with Fleming Water's methodology. Therefore, when the average Annual Principal and Interest Payments of \$146,742 is included, \$29,348 is included in the revenue requirement as shown in the following table.

Description	Amount
Average Annual Principal and Interest	\$ 146,742
Times: DSC Coverage Ratio	120%
Total Net Revenues Required	176,090
Less: Average Annual Principal and Interest Payments ( )	(146,742)
Additional Working Capital	<u>\$ 29,348</u>

The Commission finds Commission Staff's calculated Additional Working Capital of \$176,090 should be included in Fleming Water's Revenue Requirement because the Additional Working Capital is a direct result of the calculated Annual Debt Principal and Interest payments.

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<sup>135</sup> Application, Attachment 4, Revenue Requirements Calculation.

<sup>136</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).

## RATE DESIGN

In its application, Fleming Water proposed to increase its monthly water service rates by 13.46 percent to all its water customers across the board.<sup>137</sup> Fleming Water stated that it did not consider filing a cost-of-service study (COSS) at this time as there has been no material changes in the water system that would cause a new COSS to be prepared.<sup>138</sup>

The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS.<sup>139</sup> Finding no such evidence in this case, Commission Staff allocated the \$246,211 revenue increase evenly across Fleming Water's monthly retail water service rates.

The rates, as calculated by Commission Staff, which are set forth in Appendix B to this Order, are based upon the revenue requirement the Commission has found to be fair, just and reasonable, and will produce sufficient overall revenues from water sales to recover the \$2,292,586 Revenue Required from Water Sales, an approximate 12.03 percent increase. The new rates will increase the monthly bill of a typical residential

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<sup>137</sup> Application, Attachment 2, Reasons for Application.

<sup>138</sup> Commission Staff's Report at 5.

<sup>139</sup> Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

customer, using approximately 4,000 gallons per month, from \$32.96 to \$36.94, an increase of \$3.98, or approximately 12.08 percent.<sup>140</sup>

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

Nonrecurring Charges. Fleming Water provided the cost justification for the nonrecurring charges.<sup>141</sup> Commission Staff reviewed the cost justification information provided by Fleming Water and have adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs.<sup>142</sup> The Commission Staff's proposed nonrecurring charges are listed below. The Commission finds that the Commission Staff's Report is consistent with recent Commission decisions, that labor expenses resulting from work performed during normal business hours should not be recovered through nonrecurring charges.<sup>143</sup> The Commission requires that charges be directly related to the actual cost incurred to provide the service. Only the marginal cost related to the service should be

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<sup>140</sup>  $\$36.94$  (Average Bill New Water Rates) -  $\$32.96$  (Average Bill Current Water Rates) =  $\$3.98$  (Total Difference in Customer Bill) /  $\$32.96$  (Average Bill Current Water Rates) = 12.08%.

<sup>141</sup> Fleming Water's Response to Staff's First Request, Item 30, 30\_Nonrecurring\_Charges.

<sup>142</sup> Case No. 2023-00299, *Electronic Application of Magoffin County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 24, 2024); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 5, 2024); Case No. 2023-00258, *Electronic Application of Kirksville Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00220, *Electronic Application of East Casey County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 21, 2024).

<sup>143</sup> Case No. 2023-00090, *Electronic Application of Henry County Water District #2 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2023); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 4, 2024); Case No. 2023-00090, *Electronic Application of Kirksville Water Association Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00252, *Electronic Application of Oldham County Water District for an Alternative Rate Adjustment* (Ky. PSC June 18, 2024).

recovered through a special nonrecurring charge for service provided during normal working hours. For the reasons discussed above, the estimated labor expenses previously included in determining the rate of nonrecurring charges should be eliminated from the charges, as proposed by Commission Staff.

The breakdown of cost for each nonrecurring charge and any Commission Staff adjustment can be found in Appendix A.

Description	Current Charge	Revised Charge
Broken Lock Fee	\$ 50.00	\$ 58.00
Connection / Turn On Charge	\$ 40.00	\$ 18.00
Connection / Turn On Charge After Hours	\$ 60.00	\$ 64.00
Field Collection Charge	\$ 40.00	\$ 17.00
Field Collection Charge - After Hours	\$ 60.00	\$ 63.00
Meter Relocation Charge	Actual Charge	Actual Charge
Meter Re-Read Charge	\$ 40.00	\$ 17.00
Meter Re-Read Charge- After Hours	\$ 60.00	\$ 63.00
Meter Test Charge	\$ 41.00	\$ 17.00
Disconnection Charge	\$ 40.00	\$ 18.00
Reconnection Charge	\$ 40.00	\$ 17.00
Returned Check Charge /Bank Draft	\$ 30.00	\$ 8.00
Service Call - Investigation	\$ 40.00	\$ 17.00
Service Call - Investigation After Hours	\$ 60.00	\$ 101.00
Reconnection Charge - After Hours	\$ 60.00	\$ -

The Commission finds that Commission Staff's recommendation is reasonable, and the revised nonrecurring charges as described above and in Appendix B to be reasonable.

Tap-On Fee. Fleming Water provided an updated cost justification for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.<sup>144</sup> Commission Staff reviewed the

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<sup>144</sup> Fleming Water's Response to Staff's First Request, Item 32, 32\_Meter\_Tap\_Fee\_Cost\_Justification.



cost justification information provided by Fleming Water and notes it supports an increase in the Meter Connection/Tap-On Charge. Commission Staff recommended that the Commission accept Fleming Water's supported increase for the Tap-On fee from \$1,450 to \$1,458 for the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.

The Commission agrees with Commission Staff's recommendation to increase the Tap-on fee to \$1,458, to reflect the current expenses incurred to install new taps, in order to prevent an under recovery of \$8 per tap fee.

#### 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, are supported by the evidence of record and are reasonable. Application of the DSC method to Fleming Water's pro forma operations results in an Overall Revenue Requirement of \$2,367,781 and a \$246,211 revenue increase, or 12.03 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:

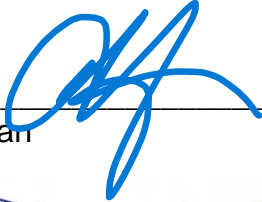
1. The recommendations contained in the Commission Staff's Report are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Fleming Water are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Fleming Water on or after the date of this Order.

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

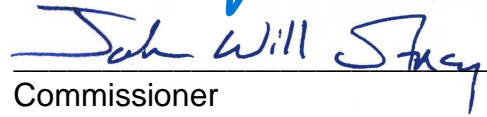
5. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION

  
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Chairman

  
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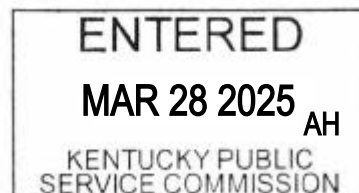
Commissioner

  
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Commissioner

ATTEST:

 *PP*  
\_\_\_\_\_  
Executive Director



APPENDIX A

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00275 DATED MAR 28 2025

\* Denotes Rounding

Non-Recurring Charges Adjustments

Broken Lock Fee			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$ 42.49	\$	42.49
Field Labor (30 min @ \$27.26 per hr.)	\$ 13.63	\$	-
Office Supplies	\$ 1.25	\$	1.25
Office Labor (30 min @ \$16.50 per hr.)	\$ 8.25	\$	-
Transportation (30 miles - Round Trip Avg.)	\$ 13.80	\$	13.80
Misc. (\$0.46 per mile - State Rate)	\$ -	\$	-
<b>Total Revised Charge*</b>	<b>\$ 79.42</b>	<b>\$</b>	<b>58.00</b>
Current Rate	\$ 50.00		
Connection / Turn-On Charge			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$ -	\$	-
Field Labor (30 min @ \$27.26 per hr.)	\$ 13.63	\$	-
Office Supplies	\$ 4.00	\$	4.00
Office Labor (1 hr. @ \$16.50 per hr.)	\$ 16.50	\$	-
Transportation (30 miles - Round Trip Avg.)	\$ 13.80	\$	13.80
Misc. (\$0.46 per mile - State Rate)	\$ -	\$	-
<b>Total Revised Charge*</b>	<b>\$ 47.93</b>	<b>\$</b>	<b>18.00</b>
Current Rate	\$ 40.00		
Connection / Turn-On Charge After Hours			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$ -	\$	-
Field Labor (1 hr. @ \$40.89 per hr.)	\$ 40.89	\$	40.89
Office Supplies	\$ 4.00	\$	4.00
Office Labor (1 hr. @ \$16.50 per hr.)	\$ 16.50	\$	-
Transportation (Avg. Trip 40 miles RT)	\$ 18.40	\$	18.40
Misc. (\$0.46 mile - State Rate)	\$ -	\$	-
<b>Total Revised Charge*</b>	<b>\$ 79.79</b>	<b>\$</b>	<b>64.00</b>
Current Rate	\$ 60.00		

Field Collection Charge - \$40

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ -	\$ -
Field Labor (1 hr. @ \$27.26 per hr.)	\$ 27.26	\$ -
Office Supplies	\$ 3.00	\$ 3.00
Office Labor (15 min @ \$16.50 per hr.)	\$ 4.12	\$ -
Transportation (Avg. Round Trip 30 miles)	\$ 13.80	\$ 13.80
Misc. (\$0.46 per mile - State Rate)	\$ -	\$ -
<b>Total Revised Charge*</b>	<b>\$ 48.18</b>	<b>\$ 17.00</b>
<b>Current Rate</b>	<b>\$ 40.00</b>	

Field Collection Charge - \$60 After Hours

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ -	\$ -
Field Labor (1 hr. @ \$40.89 per hr.)	\$ 40.89	\$ 40.89
Office Supplies	\$ 3.00	\$ 3.00
Office Labor (15 min @ \$16.50 per hr.)	\$ 4.12	\$ -
Transportation (Avg. Round Trip 40 miles)	\$ 18.40	\$ 18.40
Misc. (\$0.46 per mile - State Rate)	\$ -	\$ -
<b>Total Revised Charge*</b>	<b>\$ 66.41</b>	<b>\$ 63.00</b>
<b>Current Rate</b>	<b>\$ 60.00</b>	

Meter Relocation Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor		
Office Supplies		
Office Labor		
Transportation		
Misc.		
<b>Total Revised Charge*</b>		
<b>Current Rate</b>	<b>Actual Cost</b>	<b>Actual Cost</b>

Meter Re-Read Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ -	\$ -
Field Labor (30 min. \$27.26 per hr.)	\$ 13.63	\$ -
Office Supplies	\$ 3.00	\$ 3.00
Office Labor (15 min. @ \$16.50 per hr.)	\$ 4.12	\$ -

Transportation (Avg. Round Trip 30 miles)	\$	13.80	\$	13.80
Misc. (\$0.46 per mile - State Rate)	\$	-	\$	-
Total Revised Charge*	\$	34.55	\$	17.00
Current Rate		\$40.00		

Meter Re-Read Charge- After Hours

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ -	\$ -
Field Labor (1 hr. @ \$40.89)	\$ 40.89	\$ 40.89
Office Supplies	\$ 3.00	\$ 3.00
Office Labor (15 min @ \$16.50 per hr.)	\$ 4.12	\$ -
Transportation (Avg. Round Trip 40 miles)	\$ 18.40	\$ 18.40
Misc.	\$ -	\$ -
Total Revised Charge*	\$ 66.41	\$ 63.00
Current Rate	\$ 60.00	

Meter Test Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ -	\$ -
Field Labor (1hr. @ \$27.26)	\$ 27.26	\$ -
Office Supplies	\$ 3.00	\$ 3.00
Office Labor (1/2 hr. @ \$19.91 per hr.)	\$ 9.95	\$ -
Transportation (Avg. Round Trip 30 miles)	\$ 13.80	\$ 13.80
Misc.	\$ 63.60	\$ -
Total Revised Charge*	\$ 117.61	\$ 17.00
Current Rate	\$ 41.00	

Disconnection Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ 1.00	\$ 1.00
Field Labor (1 hr. @ \$27.26)	\$ 27.26	\$ -
Office Supplies	\$ 3.00	\$ 3.00
Office Labor (1/2 hr. @ \$16.50 per hr.)	\$ 8.25	\$ -
Transportation (Avg. Round Trip 30 miles)	\$ 13.80	\$ 13.80
Misc. (\$0.46 per mile - State Rate)	\$ -	\$ -
Total Revised Charge*	\$ 53.31	\$ 18.00
Current Rate	\$ 40.00	

Reconnection Charge

Utility Revised Charge	Staff Revised Charge
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Field Materials	\$	-	\$	-
Field Labor (1 hr. @ \$27.26 per hr.)	\$	27.26	\$	-
Office Supplies	\$	3.00	\$	3.00
Office Labor (1/2 hr. @ \$16.50 per hr.)	\$	8.25	\$	-
Transportation (Avg. Round Trip 30 miles)	\$	13.80	\$	13.80
Misc. (\$0.46 per mile - State Rate)	\$	-	\$	-
Total Revised Charge*	\$	52.31	\$	17.00
Current Rate	\$	40.00		

Returned Check Charge /Bank Draft

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ -	\$ -
Field Labor	\$ -	\$ -
Office Supplies	\$ 3.00	\$ 3.00
Office Labor (1 hr. @ \$25.43 per hr.)	\$ 25.43	\$ -
Transportation	\$ -	\$ -
Misc. (Bank Fees)	\$ 5.00	\$ 5.00
Total Revised Charge*	\$ 33.43	\$ 8.00
Current Rate	\$ 30.00	

Service Call - Investigation

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ -	\$ -
Field Labor (1 1/2 hr. @ \$27.26 per hr.)	\$ 40.89	\$ -
Office Supplies	\$ 3.00	\$ 3.00
Office Labor (15 min @ \$16.50 per hr.)	\$ 4.12	\$ -
Transportation (30 miles Avg. Round Trip)	\$ 13.80	\$ 13.80
Misc. (\$0.46 per mile - State Rate)	\$ -	\$ -
Total Revised Charge*	\$ 61.81	\$ 17.00
Current Rate	\$ 40.00	

Service Call - Investigation After Hours

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$ -	\$ -
Field Labor (2 hrs. @ \$40.89 per hr.)	\$ 81.78	\$ 81.78
Office Supplies	\$ -	\$ -
Office Labor	\$ -	\$ -
Transportation (40 miles Avg. Round Trip)	\$ 18.40	\$ 18.40
Misc. (\$0.46 per mile - State Rate)	\$ -	\$ -
Total Revised Charge*	\$ 100.18	\$ 101.00

Current Rate \$ 60.00

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5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge

	Utility Revised Charge	Staff Revised Charge
Materials Expense	\$ 931.71	\$ 931.71
Service Pipe Expense	\$ 72.35	\$ 72.35
Installation Labor Expense	\$ 108.32	\$ 108.32
Installation Equipment Expense	\$ 225.00	\$ 225.00
Installation Miscellaneous Expense	\$ 70.51	\$ 70.51
Overhead Expense	\$ -	\$ -
Administrative Expense	\$ 50.00	\$ 50.00
Total Revised Charge*	<u>\$ 1,457.89</u>	<u>\$ 1,458.00</u>
Current Rate	\$ 1,450.00	



APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00275 DATED MAR 28 2025

The following rates and charges are prescribed for the customers in the area served by Fleming County Water Association, Inc. 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

All Meters

First	2,000 Gallons	\$ 21.16	Minimum Bill
Next	8,000 Gallons	0.00789	Per Gallon
Next	40,000 Gallons	0.00626	Per Gallon
Over	50,000 Gallons	0.00492	Per Gallon

Non-Recurring Charges

Revised  
Charge

Broken Lock Fee	\$ 58.00
Connection / Turn On Charge	\$ 18.00
Connection / Turn On Charge After Hours	\$ 64.00
Field Collection Charge	\$ 17.00
Field Collection Charge - After Hours	\$ 63.00
Meter Relocation Charge	Actual Charge
Meter Re-Read Charge	\$ 17.00
Meter Re-Read Charge - After Hours	\$ 63.00
Meter Test Charge	\$ 17.00
Disconnection Charge	\$ 18.00
Reconnection Charge	\$ 17.00
Returned Check Charge /Bank Draft	\$ 8.00
Service Call - Investigation	\$ 17.00
Service Call - Investigation After Hours	\$ 101.00

Meter Connection/Tap-On Charges

5/8-Inch x 3/4-Inch Meter	\$ 1,458.00
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\*Robert K. Miller  
Straightline Kentucky LLC  
113 North Birchwood Ave.  
Louisville, KY 40206

\*Kevin Cornette  
Superintendent  
Fleming County Water Association, Inc.  
P. O. Box 327  
Flemingsburg, KY 41041

\*Fleming County Water Association, Inc.  
2772 Morehead Road  
P. O. Box 327  
Flemingsburg, KY 41041