

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	)	

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of September 4, 2024, the attached report containing the recommendations of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's September 4, 2024 Order, Fleming County Water Association, Inc. (Fleming Water) is required to file written comments regarding the recommendations of Commission Staff no later than 14 days from the date of service of this report. The Commission directs Fleming Water to the Commission's July 22, 2021, Order in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission.



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

DATED     JAN 13 2025    

cc: Parties of Record

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

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COMMISSION STAFF'S REPORT  
ON FLEMING COUNTY WATER ASSOCIATION

Fleming County Water Association, Inc. (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 in Fleming, Lewis, and Mason counties.<sup>1</sup>

On August 22, 2024, 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>2</sup> Fleming Water used the calendar year ended December 31, 2023, as the basis for its application. The application was filed pursuant to the Commission's Order in Case No. 2024-00179 which required Fleming Water to file an application for an adjustment of its base rates by July 31, 2025.<sup>3</sup> According to Commission records, Fleming Water has not ever had a base rate increase

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<sup>1</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.

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

<sup>3</sup> Case No. 2024-00179, *Electronic Purchased Water Adjustment Filing of Fleming County Water Association, Inc* (Ky. PSC July 10, 2024).

pursuant to the alternative rate filing procedure, nor a general base rate increase since the alternative rate filing procedures were authorized. Fleming Water has only adjusted its rates pursuant to purchased water adjustments (PWA), or in conjunction with an application for a Certificate of Public Convenience and Necessity.<sup>4</sup> 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>5</sup>

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2023 Annual Report, Fleming Water reported a water loss of 8.2463 percent.<sup>6</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 using the proforma purchased water and pro forma purchased power amounts calculated below.

<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>

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<sup>4</sup> Fleming Water has also revised its tariff and non-recurring charges in other cases.

<sup>5</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>6</sup> 2023 Annual Report at 57. Total Water Loss of 26,217 gallons divided by Total Produced and Purchased 317,924 gallons = 8.2463%.

## DISCUSSION

Using its pro forma test-year operations, Fleming Water determined that a base rate revenue increase of \$275,498, or 13.46 percent, was necessary to achieve the revenue requirement as shown in the table below.<sup>7</sup> Fleming Water proposed utilizing the Debt Service Coverage (DSC) method to determine the revenue requirement, which is discussed in the next section.<sup>8</sup> The rates requested by Fleming Water would increase the residential monthly bill of a typical residential customer using 4,000 gallons per month by \$4.44, from \$32.96 to \$37.40, or approximately 13.47 percent.<sup>9</sup>

<u>Description</u>	<u>Fleming County Water Association</u>
Pro Forma Operating Expenses	\$ 2,256,422
Average Annual Principal and Interest Payments	146,742
Additional Working Capital at 20%	29,348
Total Revenue Requirement	<u>2,432,512</u>
Other Revenue ( )	(86,810)
Revenue from Contracted Work ( )	(6,000)
Interest Income ( )	(16,447)
Net Nonutility Income ( )	(1,382)
Revenue Required From Water Sales	<u>2,321,873</u>
Revenue from Sales at Present Rates ( )	(2,046,375)
Required Revenue Increase / (Decrease)	<u>\$ 275,498</u>
Percentage Increase / (Decrease)	<u>13.46%</u>

To determine the reasonableness of the rates requested by Fleming Water, Commission Staff performed a limited review of Fleming Water's test-year operations.

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<sup>7</sup> Application, Attachment 4, Revenue Requirements table.

<sup>8</sup> Application, Attachment 4, Schedule of Adjusted Operations, Revenue Requirements Table.

<sup>9</sup> Application, Attachment 1, Customer Notice.

The scope of Commission Staff's review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable<sup>10</sup> changes to test-year operations were identified, and adjustments were made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

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

### SUMMARY OF RECOMMENDATIONS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Commission Staff determined that Fleming Water required revenue from Water Sales is \$2,292,586 to meet the Total Revenue Requirement of \$2,367,781 and that a \$246,211 revenue increase, or 12.03 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. In its application, Fleming Water proposed to increase its monthly water service rates by 13.46 percent to all its water customers

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<sup>10</sup> Commission regulation 807 KAR 5:076, Section 9, sets the standard for the determination of the reasonableness of proposed rates and states, in pertinent part, that the test period shall be "adjusted for known and measurable changes." See also Case No. 2001-00211, *Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefore; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); and Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

across the board.<sup>11</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>12</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>13</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 recommended in Appendix B to this report are based upon the revenue requirement, as calculated by Commission Staff, and will produce sufficient revenues from water sales to recover the \$2,292,586 Revenue Required from Rates, an approximate 12.03 percent increase. The monthly water bill for a typical residential customer using approximately 4,000 gallons per month will increase from \$32.96 to \$36.94 for an increase of \$3.98, or approximately 12.08 percent.<sup>14</sup>

3. Non-Recurring Charges. Following the Commission's recent decisions, Commission Staff has reviewed Fleming Water's Non-Recurring Charges. The Commission has found that because district personnel are currently paid during normal business hours, estimated labor costs previously included in determining the amount of

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<sup>11</sup> Application, Attachment 2, Reasons for Application.

<sup>12</sup> Fleming Water's Response to Staff's First Request, Item 26.

<sup>13</sup> Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

<sup>14</sup> Application, Attachment 1, Customer Notice. The average retail customer uses 4,000 gallons per month.

Non-Recurring Charges should be eliminated from the charges.<sup>15</sup> Fleming Water provided updated cost justification information for the Non-Recurring Charges.<sup>16</sup> Commission Staff reviewed the cost justification information provided by Fleming Water and adjusted these charges by removing the Field Labor Costs and the Office/Clerical Labor Costs from those charges that occur during normal business hours. Commission Staff also removed the Office/Clerical Labor Costs from the After-Hours Reconnection Charge, as office labor is typically performed during normal business hours. Fleming Water provided a list of the number of occurrences for each of its non-recurring charges. This list did not include Re-Connection Charge - After Hours. Commission Staff asked Fleming Water the reasons for omitting the Re-Connection Charge - After Hours present in its current tariff. Fleming Water stated that the software does not have a separate code for Re-Connection - After Hours in its Billing System and the code used for Re-Connections - After Hours is actually the Connection/Turn-On Charge After-Hours.<sup>17</sup> Commission Staff recommends the Commission require Fleming Water to remove the Reconnection Charge - After Hours from Fleming Water's current tariff considering it does not currently use it due to limitations in its Billing System. Service Call - Investigation After Hours increased substantially from \$60 to \$101 as listed by Fleming Water in the

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<sup>15</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>16</sup> Fleming Water's Response to Staff's First Request, Item 31, 31\_Nonrecurring\_Charges\_Justifications.

<sup>17</sup> Fleming Water's Response to Staff's Second Request, Item 7a.

cost justification sheets provided.<sup>18</sup> Commission Staff recommends that the Commission accept the increase to the Service Call - Investigation After Hours since the amounts are known and measurable. The cost justification information shown in Appendix A, was provided by the district and supports the requested increase as well as any other adjustments to the Non-Recurring Charges. The adjustments discussed above result in the following revised Non-Recurring Charges:

Non-Recurring Charges	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 adjustments to the Non-Recurring Charges result in a decrease in Non-Recurring Charges within Other Water Revenues of \$18,153 as shown below.

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<sup>18</sup> Fleming Water's Response to Staff's First Request, Item 31, 31\_Nonrecurring\_Charges\_Justifications.



Description	Occurrences	Current Charge	Revised Charge	Pro Forma
Broken Lock Fee	1	\$50.00	\$58.00	\$ 58
Connection / Turn On Charge	433	\$40.00	\$18.00	7,794
Connection / Turn On Charge After Hours	17	\$60.00	\$64.00	1,088
Field Collection Charge - \$40	37	\$40.00	\$17.00	629
Field Collection Charge - \$60 After Hours	0	\$60.00	\$63.00	0
Meter Relocation Charge	6	Actual Cost	Actual Cost	2,805
Meter Re-Read Charge	0	\$40.00	\$17.00	0
Meter Re-Read Charge- After Hours	0	\$60.00	\$63.00	0
Meter Test Charge	0	\$41.00	\$17.00	0
Disconnection Charge	268	\$40.00	\$18.00	4,824
Reconnection Charge	215	\$40.00	\$17.00	3,655
Returned Check Charge /Bank Draft	33	\$30.00	\$8.00	264
Service Call - Investigation	4	\$40.00	\$17.00	68
Service Call - Investigation After Hours	0	\$60.00	\$101.00	0
Reconnection Charge - After Hours	0	\$60.00	\$0.00	0
Pro Forma				\$ 21,185
Test Year NRC Revenue ( )				(39,338)
Adjustment				<u>\$ (18,153)</u>

Fleming Water provided an updated cost justification for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.<sup>19</sup> Commission Staff reviewed the cost justification information provided by Fleming Water and notes it supports an increase in the Meter Connection/Tap-On Charge. Commission Staff recommends 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.

PRO FORMA OPERATING STATEMENT

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

<sup>19</sup> Fleming Water’s Response to Staff’s First Request, Item 32, 32\_Meter\_Tap\_Fee\_Cost\_Justification.

Description	Test Year	Fleming County Water Association		Commission Staff Adjustments	Total Adjustments	(Ref)	Pro Forma
		Proposed Adjustments					
<b>Operating Revenues</b>							
Metered Retail Sales	\$ 2,029,740	\$ 16,635	\$ -	\$ 16,635	(A)	\$ 2,046,375	
<b>Other Water Revenues</b>							
Forfeited Discounts	-	30,181	-	30,181	(B)	30,181	
Non-Recurring Charges (NRCs)		-	39,338	39,338	(C)	21,185	
			(18,153)	(18,153)	(D)		
Miscellaneous Service Revenues	56,629	-	(39,338)	(39,338)	(C)	-	
			(17,291)	(17,291)	(E)	-	
Other Water Revenues	30,181	(30,181)	-	(30,181)	(B)	-	
<b>Total Other Water Revenues</b>	<b>86,810</b>	<b>0</b>	<b>(35,444)</b>	<b>(35,444)</b>		<b>51,366</b>	
<b>Total Operating Revenues</b>	<b>2,116,550</b>	<b>16,635</b>	<b>(35,444)</b>	<b>(18,809)</b>		<b>2,097,741</b>	
<b>Operation and Maintenance</b>							
Salaries and Wages - Employees	507,815	(9,425)	(5,927)	(15,352)	(F)		
		(26,970)	-	(26,970)	(G)	465,493	
Salaries and Wages - Officers	14,000	400	-	400	(H)	14,400	
Employee Pensions and Benefits	176,745	1,341	559	1,900	(I)		
		(21,048)	1,260	(19,788)	(J)	158,857	
Purchased Water	652,253	21,327	6,829	28,156	(K)	680,409	
Purchased Power	16,108					16,108	
Materials and Supplies	294,944	(62,930)	-	(62,930)	(G)		
		-	(6,124)	(6,124)	(L)	225,890	
Contractual Services	72,573	59,183	5,869	65,052	(L)	137,625	
Transportation Expense	66,137	-	-	-		66,137	
Insurance	29,198	7,786	(6,165)	1,621	(M)	30,819	
Advertising	647	-	-	-		647	
Miscellaneous	28,987	-	-	-		28,987	
<b>Total</b>	<b>1,859,407</b>	<b>(30,336)</b>	<b>(3,699)</b>	<b>(34,035)</b>		<b>1,825,372</b>	
Depreciation Expense	353,115	33,947	(62,315)	(28,368)	(N)		
		-	635	635	(O)	325,382	
Taxes Other Than Income	40,105	184	648	832	(P)	40,937	
<b>Total Operating Expenses</b>	<b>2,252,627</b>	<b>3,795</b>	<b>(64,731)</b>	<b>(60,936)</b>		<b>2,191,691</b>	
<b>Net Operating Income</b>	<b>(136,077)</b>	<b>12,840</b>	<b>29,287</b>	<b>42,127</b>		<b>(93,950)</b>	
Revenues from Contracted Work	108,691	(102,691)	-	(102,691)	(Q)	6,000	
Interest Income	16,447	-	-	-		16,447	
Net Nonutility Income	1,382	-	-	-		1,382	
<b>Income Available to Service Debt</b>	<b>\$ (9,557)</b>	<b>\$ (89,851)</b>	<b>\$ 29,287</b>	<b>\$ (60,564)</b>		<b>\$ (70,121)</b>	

(A) Total Metered Sales. In its Application, Fleming Water proposed an adjustment to increase Metered Water Sales by \$16,635,<sup>20</sup> to reflect a full year of sales

<sup>20</sup> Application Attachment 4, Schedule of Adjusted Operations, Adjustment A.

with new rates put into effect in July 2024.<sup>21</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>22</sup> Fleming Water provided a billing analysis to calculate a normalized revenue amount based on the usage during the test year using the rates authorized in its current tariff to be \$2,046,375 and proposed an adjustment to increase test-year water sales revenue by \$16,635 to reflect the revenues from water rates generated by the billing analysis.<sup>23</sup> Fleming Water received an increase to its retail rates in July 2024 for a purchased water adjustment.<sup>24</sup> Commission Staff confirmed the calculation of the Normalized water sales at the current rates. Commission Staff recommends 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.

(B) 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>25</sup> to reflect the reclassification of late fees from Other Water Revenues into its own category.<sup>26</sup> Fleming Water provided a list of all the late fee charges during the test year;<sup>27</sup> Commission Staff reviewed the table and

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<sup>21</sup> Application Attachment 4, Schedule of Adjusted Operations, Reference, Adjustment A.

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

<sup>23</sup> Application, Attachment 5, Current Billing Analysis.

<sup>24</sup> Case No. 2024-00179, July 10, 2024 Order.

<sup>25</sup> Application, Attachment 4, Schedule of Adjusted Operations, Reference, Adjustment B.

<sup>26</sup> Application, Attachment 4, Schedule of Adjusted Operations, Reference, Adjustment B.

<sup>27</sup> Fleming Water's Response to Staff's Second Request, Item 6, 29\_Late\_Fees\_Corrected.xlsx.

confirmed the calculation of total Late Fees charges of \$30,181. Commission Staff recommends the Commission accept Fleming Water's \$30,181 proposed decrease to Other Water Revenues, and the corresponding increase to Forfeited Discounts of the same \$30,181, to reflect the Late Fees amount recorded during the test year being reclassified into the correct category.

(C) Miscellaneous Service Revenues – Non-Recurring Charges. During the test year, Fleming Water reported \$56,629 to Miscellaneous Service Revenues<sup>28</sup> composed of \$39,338 Non-Recurring charges, \$1,998 decrease for an audit adjustment, \$7,022 for cash and working funds, \$6,321 for a miscellaneous receipt check, and \$5,946 for a service charge adjustment.<sup>29</sup> The Audit adjustments, cash and working funds, miscellaneous receipt check, and the Service charge adjustment are considered Non-Recurring Revenues and are further discussed in adjustment (E). Fleming Water provided the test year Non-Recurring Charges that occurred during the test year, both rate and number of occurrences.<sup>30</sup> Commission Staff reviewed the General Ledger and reduced Miscellaneous Service Revenues by \$39,338<sup>31</sup> and reclassified it to Non-Recurring Charges to report the revenues into the proper category.

Commission Staff recommends the Commission accept Commission Staff's \$39,338 decrease to Miscellaneous Service Revenues, and the corresponding increase

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<sup>28</sup> Application Exhibit 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 30, 30\_Nonrecurring\_Charges.xlsx.

<sup>31</sup> Fleming Water's Response to Staff's First Request, Item 1a, 1a\_General\_Ledger\_2023.xlsx, Rows 21,626 thru 22,090.

to Non-Recurring Charges of the same \$39,338, to reflect the Non-Recurring Charges recorded during the test year being reclassified into the correct category.

(D) Non-Recurring Charges. Fleming Water provided the number of instances that each Non-Recurring Charge was performed during the test period<sup>32</sup> as well as the cost justification sheets supporting these charges.<sup>33</sup> Commission Staff reviewed the responses, the cost justification sheets, and the general ledger. As discussed above, Commission Staff followed the Commission's precedent in removing field labor and office/clerical labor costs.<sup>34</sup> Using this information, as well as the current Non-Recurring Charge amount listed in Fleming Water's current tariff, Commission Staff calculated a net test-period adjustment to revenue from Non-Recurring Charges of \$18,153. This results in a decrease to Non-Recurring Charges account of \$18,153. Commission Staff recommends the Commission accept Commission Staff's adjustment to Other Water Revenues because the amount is known and measurable.

(E) Other Water Revenues – Non-Reoccurring Revenues. As discussed in adjustment (C) above, the entire \$56,629 test year amount of Miscellaneous Service Revenues is composed of Non-Recurring Charges, audit adjustments, cash and working

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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).

funds, Miscellaneous Receipt Check, and Service Charge Adjustments.<sup>35</sup> Of the Miscellaneous Service Revenues, \$17,291 are the audit adjustments, cash and working funds, Miscellaneous Receipt Check, and Service Charge Adjustments;<sup>36</sup> these are unusual transactions not expected to reoccur and, therefore, should be removed from the test year. Commission Staff recommends the Commission accept Commission Staff's adjustment to decrease Miscellaneous Service Revenues by \$17,291.

(F) Salaries and Wages - Employees. In its application, Fleming Water proposed an adjustment to reduce Salaries and Wages Employees by \$9,425<sup>37</sup> due to reductions in the employee roster and changes in wage rates.<sup>38</sup> Fleming Water provided the test year employee list,<sup>39</sup> test year regular and overtime hours worked,<sup>40</sup> current wage rates,<sup>41</sup> and a current employee list.<sup>42</sup> Two employees ceased employment during the

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<sup>35</sup> Fleming Water's Response to Staff's First Request, Item 1a, 1a\_General\_Ledger\_2023.xlsx, Rows 21,626 thru 22,090.

<sup>36</sup> Fleming Water's Response to Staff's First Request, Item 27a, 27a\_Miscellaneous\_Service\_Revenues.xlsx.

<sup>37</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment C.

<sup>38</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment C.

<sup>39</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>40</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>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 H.

<sup>42</sup> Fleming Water's Response to Staff's First Request, Item 5, 5\_Employee\_List\_2024\_YTD.xls.

test year of which one was replaced, and the other's work was absorbed in-house.<sup>43</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>44</sup> Fleming Water also included a one-time bonus of \$19,500 during the test year.<sup>45</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>46</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 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>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), rows 13 and 14.

<sup>44</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 G and H.

<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.xls (filed Nov. 7, 2024), Column J.

<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.xls (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</u>	<u>\$ 15,741</u>	<u>492,463</u>
Less: Test Year Salaries and Wages							(507,815)
Total Proposed Adjustment							(15,352)
Less: Fleming Water's Proposed Adjustment							9,425
Commission Staff's Proposed Adjustment							<u>\$ (5,927)</u>

Commission Staff recommends the Commission accept Commission Staff's adjustment of a \$15,352 decrease to Salaries and Wages – Employees, as it is known and measurable change because it reflects the test year hours at current wage rates with current employees.

(G) Expenses Related to Meter Installations. In its application, Fleming Water proposed an adjustment to decrease Salaries and Wages – Employees by \$26,970,<sup>47</sup> and Materials and Supplies by \$62,930,<sup>48</sup> to account for tap fee expenses that were included as part of these expenses during the test year.<sup>49</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>50</sup> During the

<sup>47</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment D.

<sup>48</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment D.

<sup>49</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment D.

<sup>50</sup> USoA, Accounting Instruction 19 and 33.



test year, Fleming Water installed 62 new water connections<sup>51</sup> and collected \$89,900.<sup>52</sup> Therefore, Commission Staff agrees 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%
Proposed Adjustments ( )	(26,970)	(62,930)
Fleming Water Proposed Adjustment ( )	26,970	\$62,930
Commission Staff’s Proposed Adjustment	<u>\$ -</u>	<u>\$ -</u>

Additionally, Fleming Water confirmed that it did not capitalize the water tap labor,<sup>53</sup> but capitalized the cost of the water meter. All other materials were expensed.<sup>54</sup> Therefore, Commission Staff capitalized the full labor costs and made a corresponding adjustment to test-year depreciation as shown in Adjustment (O).

Commission Staff recommends the Commission accept Fleming Water’s proposed adjustments to decrease Salaries and Wages – Employees by \$26,970 and decrease Materials and Supplies by \$62,930 because it reflects the proper accounting for water connection expenses according to the USoA.

(H) Salaries and Wages - Officers. In the application, Fleming Water proposed an adjustment to increase Salaries and Wages - Officers Expense by \$400,<sup>55</sup> because a director position was vacant for two months and it adjusted the total directors’ salary to

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<sup>51</sup> Fleming Water’s Response to Staff’s First Request, Item 20a.

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

<sup>53</sup> Fleming Water’s Response to Staff’s First Request, Item 20b.

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

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

account for the vacancy.<sup>56</sup> Fleming Water provided a list of the current directors and wages.<sup>57</sup> Each director receives \$200 per month.<sup>58</sup> Commission Staff calculated a normalized Salaries and Wages – Officers expense of \$14,400, as shown in the following table. Commission Staff agrees with Fleming Water’s proposed adjustment to Salaries and Wages -Officers and recommends the Commission accept Fleming Water’s proposed \$400 increase to Salaries and Wages – Officers, because it reflects a known and measurable change as it is a normalized year’s wages for the Officers.

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)
Salaries and Wages Director's Adjustment	\$ 400
Less: Fleming Water's Proposed Adjustment ( )	(400)
Commission Staff's Proposed Adjustment	<u>\$ -</u>

(l) Employee Pensions and Benefits – Retirement. Fleming Water provides its employees a 401(k) for all full-time employees.<sup>59</sup> In the application, Fleming Water proposed an adjustment to increase Employee Pensions and Benefits expense by

<sup>56</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment E.

<sup>57</sup> Fleming Water’s Response to Staff’s First Request, Item 15, 15\_Directors\_Wages\_and\_Benefits.xlsx.

<sup>58</sup> Fleming Water’s Response to Staff’s First Request, Item 15, 15\_Directors\_Wages\_and\_Benefits.xlsx, Cell A11.

<sup>59</sup> Fleming Water’s Response to Staff’s First Request, Item 3, 3\_Benefits\_Description.pdf.

\$1,341<sup>60</sup> to reflect changes in salaries and wages and participation in the 401K plan.<sup>61</sup>  
 Fleming Water contributes up to a 10 percent match of all full-time employees' salaries.<sup>62</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 each 401(k) plan, 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)
Retirement Expense Adjustment	1,900
Less: Fleming Water's Proposed Adjustment ( )	(1,341)
Commission Staff's Proposed Adjustment	<u>\$ 559</u>

Commission Staff recommends the Commission accept Commission Staff's adjustment of a \$1,900 increase to Employee Pensions, because it is a known and measurable change that reflects the increase of employee retirement expense due to an increase in Salaries and Wages – Employees.

(J) Employee Pensions and Benefits – Insurance Premiums. In the application, Fleming Water proposed an adjustment to decrease Employee Pensions and Benefits

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

<sup>61</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment F.

<sup>62</sup> Fleming Water's Response to Staff's First Request, Item 3, 3\_Benefits\_Description.pdf.

expense by \$21,048,<sup>63</sup> to reflect employees' health insurance based on the Bureau of Labor Statistics national average for an employee's share of premiums.<sup>64</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>65</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>66</sup> Consistent with precedent,<sup>67</sup> Commission Staff agrees with Fleming Water's methodology but calculated a different amount. Commission Staff adjusted Fleming Water's single health insurance plan premiums contribution expense to 80 percent,<sup>68</sup> and family insurance plan premiums contribution expense to 68 percent,<sup>69</sup> as shown in the calculation below. Fleming Water provided the most recent copy of its health insurance invoice, for October 2024.<sup>70</sup> The invoice shows

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<sup>63</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment G.

<sup>64</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment G.

<sup>65</sup> Fleming Water's Response to Staff's First Request, Item 3, 3\_Benefits\_Description.pdf.

<sup>66</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>67</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 8–12.

<sup>68</sup> Bureau of Labor Statistics, Healthcare Benefits, March 2024, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

<sup>69</sup> Bureau of Labor Statistics, Healthcare Benefits, March 2024, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

<sup>70</sup> Fleming Water's Response to Staff's First Request, Item 4, 4\_KACO\_Health.pdf.

nine employees currently receive insurance through Fleming Water.<sup>71</sup> Accordingly, utilizing the most recent invoice amounts, Commission Staff recalculated the proposed adjustment and decreased Employee Benefits - Insurance by \$19,788, which is \$1,260 less than proposed by Fleming Water, as shown below.

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)
Employee Benefits Adjustment					(19,788)
Less: Fleming Water's Proposed Adjustment ( )					21,048
Commission Staff's Proposed Adjustment					<u>\$ 1,260</u>

Commission Staff recommends the Commission accept Commission Staff's adjustment of a \$19,788 decrease to Employee Benefits to reflect the change in insurance premiums and the reduction of Employee insurance employer contributions as it meets Commission precedent to authorize the average contribution based on the BLS statistics.

(K) Purchased Water Normalization. In its application, Fleming Water proposed an adjustment to increase its Purchased Water Expense by \$21,327,<sup>72</sup> to reflect an increase to its wholesale water supplier's rate.<sup>73</sup> Fleming Water purchases water from

<sup>71</sup> Fleming Water's Response to Staff's First Request, Item 4, 4\_KACO\_Health.pdf.

<sup>72</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment H.

<sup>73</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment H.

Greater Fleming County Regional Water Commission, Rowan Water, Inc. and the Vanceburg Electric Plant Board.<sup>74</sup> Effective July 1, 2024, Greater Fleming County Regional Water Commission increased its wholesale rate to Fleming Water to \$0.00207 per gallon.<sup>75</sup> Fleming Water provided the current rate charged by each of its water vendors,<sup>76</sup> as well as the gallons purchased from each vendor throughout the test year,<sup>77</sup> in addition to any minimum monthly bills.<sup>78</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.

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)
Purchased Water Adjustment							28,156
Less: Fleming Water's Proposed Adjustment ( )							(21,327)
Commission Staff's Proposed Adjustment							<u>\$ 6,829</u>

<sup>74</sup> 2023 Annual Report at 54.

<sup>75</sup> Cane No. 2024-00179, *Electronic Purchased Water Adjustment Filing of Fleming County Water Association, Inc.* (Ky. PSC July 10, 2024), Order at 2.

<sup>76</sup> Fleming Water's Response to Staff's First Request, Item 22.

<sup>77</sup> Fleming Water's Response to Staff's First Request, Item 21, 21\_Water\_Purchases.xlsx.

<sup>78</sup> Fleming Water's Response to Staff's First Request, Item 22.

Commission Staff recommends the Commission accept Commission Staff's adjustment of a \$28,156 increase to Purchase Water Expense; as this is a known and measurable change that reflects the normalization of water purchased during the test year to current rates charged.

(L) Contractual Services. In its application, Fleming Water proposed and adjustment to increase Contractual Services by \$59,183,<sup>79</sup> to account for a 2024 upgrade to the billing system and associated operations.<sup>80</sup> Fleming Water's proposed adjustment is composed 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>81</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>82</sup> with the most recent number of customers of 4,606,<sup>83</sup> in addition to a 6 percent sales tax.<sup>84</sup> Commission Staff calculated the contracted amount as an increase of \$65,052, which is \$5,869 more than proposed by Fleming Water, as shown in the following table.

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<sup>79</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment I.

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

<sup>81</sup> Fleming Water's Additional Information on adjustments to contractual services expense, (Filed Nov. 26, 2024).

<sup>82</sup> Fleming Water's Response to Staff's First Request, Item 9, 9\_Billing\_Software.pdf, at 6.

<sup>83</sup> Fleming Water's Response to Staff's First Request, Item 9, 9\_Billing\_Software.pdf, at 22.

<sup>84</sup> Fleming Water's Response to Staff's First Request, Item 9, 9\_Billing\_Software.pdf, at 22.

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)
Proposed Billing Adjustment	65,052
Fleming Water's Proposed Adjustment ( )	(59,183)
Commission Staff's Proposed Adjustment	<u>\$ 5,869</u>

In addition to the increase in Contractual Services, the \$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>85</sup>

Therefore, Commission Staff also proposes a \$6,124 decrease to Materials and Supplies expense to account for the reduction in Hardware/Software Maintenance expense projected by Fleming Water.<sup>86</sup>

Commission Staff recommends the Commission accept Commission Staff's \$6,125 decrease to Materials and Supplies, to reflect the reduction in antivirus software from the test year as a known and measurable change, according to the evidence on record. Commission Staff also recommends the Commission accept Commission Staff's \$65,052 increase to Contractual Services; as it is a known and measurable change that reflects the 2024 billing software contract according to the evidence on record.

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<sup>85</sup> Fleming Water's Response to Staff's First Request, Item 1c, 1c\_Cross\_Reference.xlsx, Row 45.

<sup>86</sup> Fleming Water's Additional Information on adjustments to contractual services expense.



(M) Insurance. In its application, Fleming Water proposed an adjustment to increase Insurance Expense by \$7,786,<sup>87</sup> to account for an increase in the general property and liability insurance premium for 2024.<sup>88</sup> Fleming Water provided several quotes for insurance.<sup>89</sup> It accepted the quote provided by Hickerson Agency (Flemingsburg) – Kentucky League of Cities quote (Hickerson Agency quote), of \$30,819.<sup>90</sup>

Fleming Water's test year Insurance Expense is comprised of \$23,033 General Liability Insurance, \$3,975 Workers' Compensation Insurance, and \$2,190 Other Insurance for a test year total of \$29,198.<sup>91</sup> Fleming Water's proposed adjustment compared the Hickerson Agency quote of \$30,819 to just the test year General Liability cost of \$23,033 and did not include the other two components.<sup>92</sup> Commission Staff reviewed the Hickerson Agency quote and determined that it included General Liability, Public Officials, Business Auto, Auto Physical Damage, Cyber Liability, Property, Inland Marine, Crime, and Workers Compensation.<sup>93</sup> Commission Staff therefore included

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<sup>87</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment J.

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

<sup>89</sup> Fleming Water's Response to Staff's Second Request, Item 10a, 10a\_Insurance\_Renewal\_Evaluation.xlsx.

<sup>90</sup> Fleming Water's Response to Staff's Second Request, Item 10a, 10a\_Insurance\_Renewal\_Evaluation.xlsx, Cell A33.

<sup>91</sup> Fleming Water's Response to Staff's First Request, Item 1c, 1c\_Cross\_Reference.xlsx, Cells H69 thru H71.

<sup>92</sup> Fleming Water's Response to Staff's First Request, Item 1d, 1d\_Rate\_Model.xlsx, SAO Tab, Cell G28.

<sup>93</sup> Fleming Water's Response to Staff's Second Request, Item 10a, 10a\_Insurance\_Renewal\_Evaluation.xlsx, Cells C11 thru C19.

\$3,975 Workers' Compensation insurance<sup>94</sup> and \$2,189 Other Insurance<sup>95</sup> from the test year into the calculation of pro forma insurance expense and concluded that the increase in Insurance Expense should be \$1,621, which is \$6,165 less than proposed by Fleming Water, as shown in the following table.

Description	Amount
Pro Forma Insurance Expense	\$ 30,819
Less: Test Year Insurance Expense ( )	(29,198)
Proposed Insurance Adjustment	1,621
Less: Fleming Water Proposed Adjustment ( )	(7,786)
Commission Staff's Proposed Adjustment	<u>\$ (6,165)</u>

Commission Staff recommends the Commission accept Commission Staff's \$1,621 increase to Insurance Expense to reflect the change in insurance premiums for 2024, because it is known and measurable.

(N) Depreciation Expense. In its Application, Fleming Water proposed an adjustment to increase Depreciation Expense by \$33,947,<sup>96</sup> to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Utilities* (NARUC Study).<sup>97</sup> To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same NARUC study. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the

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<sup>94</sup> Fleming Water's Response to Staff's First Request, Item 1c, 1c\_Cross\_Reference.xlsx, Cell H69.

<sup>95</sup> Fleming Water's Response to Staff's First Request, Item 1c, 1c\_Cross\_Reference.xlsx, Cell H70.

<sup>96</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment K.

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

midpoint of the NARUC ranges to depreciate the utility plant.<sup>98</sup> Upon examination, Commission Staff agrees with Fleming Water's methodology to adjust depreciation expense. Commission Staff's calculation differed from Fleming Water in three sub-categories: Reservoirs and Tanks; Transportation Equipment; and Radio Read Meters.

For the two sub-categories of Reservoirs and Tanks, and Transportation Equipment, Fleming Water determined the depreciation expense for each category by taking the entire category's Book Cost divided by the NARUC suggested Service life midpoint. Commission Staff reviewed each capital asset and determined the pro forma depreciation, by depreciating each asset that was not fully depreciated over the NARUC suggested midpoint, and for assets that became fully depreciated during the test year, including the partial year's depreciation.

Commission Staff disagrees with Fleming Water's proposal to use 10 years for the service life for Radio Read meters. The Commission has ordered that, unless evidence is supplied to justify a different useful life, radio read meters will be depreciated over a 20-year service life.<sup>99</sup> Fleming Water did not provide any technical reports, test records or warranty reports to justify the 10-year proposed life, only a statement that the utility's experience justified the 10-year service life and it was inappropriate to apply the historic 40 year expected service life of a solid brass, gear-driven, mechanical meter to a plastic

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<sup>98</sup> See Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), Order; Case 2023-00134, *Electronic Application of North Marshall Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC, Dec. 22, 2023), Order at 30; Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

<sup>99</sup> 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.

and brass meter with a demonstrated 10-year battery life.<sup>100</sup> Without any evidence to justify the 10-year service life Commission Staff recommends to depreciate the radio read meters over the recommended 20-year useful life for radio read meters instead of the historic 40 year service life for mechanical meters recommended in the NARUC study..

Commission Staff calculated a 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.

Asset Class	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma 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
AMR 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)
Depreciation Expense Adjustment				(28,368)
Less: Fleming Water's Proposed Adjustment				(33,947)
Total Depreciation Adjustment				<u>\$ (62,315)</u>

<sup>100</sup> Fleming Water’s Response to Staff’s First Request, Item 11a.

Commission Staff recommends 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.

(O) Capitalization of Water Tap Labor. As explained in the Expenses related to Water Installations 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 meter,<sup>101</sup> but did not capitalize the labor costs or the remaining materials used.<sup>102</sup> Therefore, Commission Staff calculated the annual depreciation amount for the test year and increased depreciation expense by \$653 to account for the Tap Fee Labor Expense as shown below:

Description	Labor Expense Amount
Test Year Water Connections Expense	\$ 26,970
Divided by: NARUC Proposed Service Lives	42.5
Total Capitalized Expense Increase	<u>\$ 635</u>

Commission Staff recommends the Commission accept Commission Staff's \$635 increase to Depreciation Expense, because the USoA requires the assets to be depreciated over their estimated useful lives.

(P) Taxes Other Than Income – Federal Insurance Contribution Act (FICA). In its application, Fleming Water proposed an adjustment to increase Taxes Other Than

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<sup>101</sup> Fleming Water's Response to Staff's First Request, Item 20c.

<sup>102</sup> Fleming Water's Response to Staff's First Request, Item 20b.

Income by \$184,<sup>103</sup> to reflect changes in salaries and wages.<sup>104</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 of \$832 to Taxes Other Than Income, 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 Salaries and Wages	506,863
Times: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Payroll Taxes	38,775
Less: Test Year Payroll Taxes ( )	(37,943)
Payroll Tax Adjustment	832
Less: Proposed Adjustment ( )	(184)
Commission Staff's Proposed Adjustment	<u>\$ 648</u>

Commission Staff recommends the Commission approve the adjustment to increase Taxes other than Income by \$832, because it is a known and measurable change that is a direct result from changes to Salaries and Wages – Employees.

(Q) Revenues from Contracted Work. In its Application, Fleming Water proposed an adjustment to decrease Revenues from Contracted Work by \$102,691,<sup>105</sup> in order to reflect the removal of Tap-On fees collected.<sup>106</sup> As discussed above, according

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<sup>103</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment C.

<sup>104</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment C.

<sup>105</sup> Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment N.

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

to the USoA, revenue generated from the installation of meters is not treated as revenue, but should be treated as Contributions in Aid of Construction<sup>107</sup> and credited to Account 271 – Contributions in Aid of Construction; and not included in Revenues from Contracted Work. Commission Staff reviewed the Adjusted Trial balance and determined that \$102,691 of Revenue – Tap-On Fees was reported for the test year.<sup>108</sup> Revenues from Contracted Work is composed of Tap-On fees and Altius monthly tower rental revenues.<sup>109</sup> Therefore, Commission Staff agrees with Fleming Water’s proposed adjustment to remove the Water Tap-On revenues, and decrease Metered Water Sales by \$62,400, in order to remove the normalized tap fee revenue from Metered Water Sales.

Commission Staff recommends the Commission accept Fleming Water’s proposed decrease to Revenues from Contracted Work.

### OVERALL REVENUE REQUIREMENT

The Commission has historically applied the Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations.<sup>110</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>107</sup> Uniform System of Accounts for Class A/B Water Companies at 98, Section 334 Meters and Meter Installation, Note C.

<sup>108</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>109</sup> Fleming Water’s Response to Staff’s First Request, Item 1c, 1c\_Cross\_Reference.xlsx, Cells H151 and H153.

<sup>110</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>111</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	Fleming County Water Association	Commission Staff
Pro Forma Operating Expenses	\$ 2,256,422	\$ 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	2,432,512	2,367,781
Other Revenue ( )	(86,810)	(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	2,321,873	2,292,586
Revenue from Sales at Present Rates ( )	(2,046,375)	(2,046,375)
Required Revenue Increase / (Decrease)	<u>\$ 275,498</u>	<u>\$ 246,211</u>
Percentage Increase / (Decrease)	<u>13.46%</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

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<sup>111</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).



Department of Agriculture (USDA) Rural Development (RD),<sup>112</sup> and one outstanding Kentucky Rural Water Finance Corporation (KRWFC) bond.<sup>113</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>114</sup> Commission Staff calculated the average annual principal and interest, and agrees with Fleming Water’s proposed Average Annual Principal and Interest Payments of \$146,742, 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 and Interest									<u><u>\$146,742</u></u>

2. Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the

<sup>112</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 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>113</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>114</sup> Application, Attachment 4, Revenue Requirements Calculation, Table B, Debt Service Schedule.

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>115</sup>

Following the Commission's historic practice,<sup>116</sup> Commission Staff agrees 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	<u>176,090</u>
Less: Average Annual Principal and Interest Payments	(146,742)
Additional Working Capital	<u><u>\$ 29,348</u></u>

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<sup>115</sup> Application, Attachment 4, Revenue Requirements Calculation, Table B, Debt Service Schedule.

<sup>116</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).

Signatures

/s/ William M. Foley  
Prepared by: William Foley  
Revenue Requirement Branch  
Division of Financial Analysis

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

APPENDIX A

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00275 DATED JAN 13 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)	\$ -	\$ -
<b>Total Revised Charge*</b>	<b>\$ 34.55</b>	<b>\$ 17.00</b>
<b>Current Rate</b>	<b>\$40.00</b>	

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.	\$ -	\$	-
<b>Total Revised Charge*</b>	<b>\$ 66.41</b>	<b>\$</b>	<b>63.00</b>
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	\$	-
<b>Total Revised Charge*</b>	<b>\$ 117.61</b>	<b>\$</b>	<b>17.00</b>
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)	\$ -	\$	-
<b>Total Revised Charge*</b>	<b>\$ 53.31</b>	<b>\$</b>	<b>18.00</b>
Current Rate	\$ 40.00		

Reconnection Charge			
	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 (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)	\$ -	\$	-
<b>Total Revised Charge*</b>	<b>\$ 52.31</b>	<b>\$</b>	<b>17.00</b>

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	
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*	\$	1,457.89	\$	1,458.00
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 JAN 13 2025

The following rates and charges are recommended by Commission Staff based on the adjustments in Commission Staff's Report for the customers in the area served by Fleming County Water Association, Inc. All other rates and charges not specifically mentioned herein are recommended to remain the same.

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

<u>Non-Recurring Charges</u>	<u>Revised Charge</u>
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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