

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|----------------------------------------|---|------------|
| ELECTRONIC APPLICATION OF CRITTENDEN- |) | |
| LIVINGSTON COUNTY WATER DISTRICT FOR |) | CASE NO. |
| AN ALTERNATIVE RATE FILING PURSUANT TO |) | 2024-00278 |
| 807 KAR 5:076 |) | |

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of February 11, 2025, as amended by Orders entered May 29, 2025 and June 24, 2025 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 February 11, 2025 Order, and by amending Order entered May 29, 2025 and June 24, 2025 Crittenden-Livingston County Water District (Crittenden-Livingston District) 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 Crittenden-Livingston District to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission.

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



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

DATED JUL 14 2025

cc: Parties of Record

Case No. 2024-00278

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COMMISSION STAFF'S REPORT
ON CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT

Crittenden-Livingston County Water District (Crittenden-Livingston District) is a water utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system which provides retail water service to approximately 3,553 residential customers, 162 commercial customers, 7 public authorities, and 3 bulk loading stations located in Crittenden and Livingston counties, Kentucky.¹

On January 27, 2025, the Commission issued an Order granting a deviation for good cause from the notice requirements set forth in 807 KAR 5:076, Section 5(4)(a), and deemed the application filed.² Crittenden-Livingston District filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,³ Crittenden-

¹ *Annual Report of Crittenden-Livingston District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 12, 49.

² Crittenden-Livingston District tendered its application on November 12, 2024. By letter dated November 14, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured by Order granting a deviation, and the application is deemed filed on January 27, 2025.

³ The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

Livingston District used the calendar year ended December 31, 2023, as the basis for its application. Crittenden-Livingston District's last base-rate increase pursuant to the alternative rate filing procedure was in Case No. 2018-00414.⁴

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated February 11, 2025, and amended by Order dated May 29, 2025, and Order dated June 24, 2025. Crittenden-Livingston District responded to three requests for information.⁵ Crittenden-Livingston District initially responded to Commission Staff's First Request for Information (Staff's First Request) on March 27, 2025, then filed supplemental responses to the same request on April 3, 2025, and April 4, 2025. Following a request for an extension, Crittenden-Livingston District responded to Commission Staff's Second Request for Information (Staff's Second Request) on May 1, 2025. Crittenden-Livingston District responded to Commission Staff's Third Request for Information on May 29, 2025.

UNACCOUNTED-FOR WATER LOSS

Crittenden-Livingston District produces 96 percent of its water⁶ and purchases the remainder from Webster County Water District.⁷ The Commission notes that in its 2023 Annual Report, Crittenden-Livingston District reported water loss of 23.9717 percent.⁸

⁴ See Case No. 2018-00414, *Application of Crittenden-Livingston County Water District for an Alternative Rate Adjustment*.

⁵ Crittenden-Livingston District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed March 27, 2025); Crittenden-Livingston District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed May 1, 2025); Crittenden-Livingston District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed May 29, 2025).

⁶ 2023 Annual Report at 57.

⁷ 2023 Annual Report at 54.

⁸ 2023 Annual Report at 58.

Crittenden-Livingston District's water loss was 19.7562 in 2021⁹ and 16.5618 2022,¹⁰. 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 Crittenden-Livingston District is \$111,049, while the annual cost of water loss in excess of 15 percent is \$41,562.

| Total Water Loss | Purchased Water | Purchased Power | Purchased Chemicals | Total |
|---------------------|-----------------|-----------------|---------------------|------------|
| Pro Forma Purchases | \$ 50,552 | \$ 199,422 | \$ 213,278 | \$ 463,252 |
| Water Loss Percent | 23.9717% | 23.9717% | 23.9717% | 23.9717% |
| Total Water Loss | \$ 12,118 | \$ 47,805 | \$ 51,126 | \$ 111,049 |

| Disallowed Water Loss | Purchased Water | Purchased Power | Purchased Chemicals | Total |
|-----------------------------|-----------------|-----------------|---------------------|------------|
| Pro Forma Purchases | \$ 50,552 | \$ 199,422 | \$ 213,278 | \$ 463,252 |
| Water Loss in Excess of 15% | 8.9717% | 8.9717% | 8.9717% | 8.9717% |
| Disallowed Water Loss | \$ 4,535 | \$ 17,892 | \$ 19,135 | \$ 41,562 |

DISCUSSION

Using its pro forma test-year operations, Crittenden-Livingston District determined that a base-rate revenue increase of \$522,031, or 16.94 percent, was necessary to achieve the revenue requirement as shown in the table below.¹¹

⁹ *Annual Report of Crittenden-Livingston District to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 58.

¹⁰ *Annual Report of Crittenden-Livingston District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 58.

¹¹ Application, Attachment 4, Revenue Requirement Table.

| Description | Crittenden-Livingston District |
|------------------------------------------------|--------------------------------|
| Pro Forma Operating Expenses | \$ 2,658,789 |
| Average Annual Principal and Interest Payments | 896,000 |
| Additional Working Capital at 20% | 179,200 |
| Total Revenue Requirement | 3,733,988 |
| Other Revenue () | (116,104) |
| Interest Income () | (13,902) |
| Revenue Required From Water Sales | 3,603,982 |
| Revenue from Sales at Present Rates () | (3,081,951) |
| Required Revenue Increase / (Decrease) | \$ 522,031 |
| Percentage Increase / (Decrease) | 16.94% |

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

Commission Staff's recommendations are summarized in this report. William Pearce reviewed the calculation of Crittenden-Livingston District's Overall Revenue

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

Requirement, and Manuel Jerez Tamayo reviewed Crittenden-Livingston District's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Commission Staff found that Crittenden-Livingston District's required revenue from water sales is \$3,471,375 to meet an Overall Revenue Requirement of \$3,565,944, and that a \$392,368, or 12.74 percent, increase to revenue from sales at present rates is necessary to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. In its application, Crittenden-Livingston District proposed to increase its monthly water service rates by 16.94 percent to all its water customers evenly across the board.¹³ Crittenden Livingston District sells to both retail and six wholesale customers; the cities of Grand Rivers, Smithland, Salem, and Marion; and two water districts, Ledbetter Water District and Lyon Co. Water District. Crittenden-Livingston District also proposed to add a 3-inch and a 4-inch meter rate to the current Rate Schedule in its tariff.¹⁴ Crittenden-Livingston District stated that it did not consider filing a cost of service study (COSS) at this time, considering there have been no material changes in the water system that would cause a new COSS to be prepared.¹⁵ Commission Staff agrees with Crittenden-Livingston District recommendation to add 3-inch and a 4-inch meter rates to its tariff. Staff recommends that the Commission require

¹³ Remediated Application, Attachment 1, Customer Notice.

¹⁴ Remediated Application, Attachment 1, Customer Notice.

¹⁵ Crittenden-Livingston District's Response to Staff's First Request, Item 13.

Crittenden-Livingston District to file a COSS 24 months after the new rates have been put into effect or once they have collected sufficient customer usage data to justify the reasonableness and fairness of the newly established rates. 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.¹⁶ Finding no such evidence in this case, Commission Staff allocated the \$392,368 revenue increase evenly across Crittenden-Livingston District's monthly retail water service rates.

The rates recommended in Appendix B to this report are based on the revenue requirement, as calculated by the Commission Staff, and will produce sufficient revenues from water sales to recover the \$3,471,375 revenue required from rates, representing an approximate 12.74 percent increase. The monthly water bill for a typical residential customer using approximately 4,000 gallons per month¹⁷ will increase \$8.52 from \$67.00 to \$75.52, or 12.72 percent.

3. Nonrecurring Charges. Following the Commission's recent decisions, Commission Staff reviewed Crittenden-Livingston District's Nonrecurring Charges. The Commission found that because district personnel are currently paid during normal business hours, estimated labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated from the charges.¹⁸ Crittenden-Livingston

¹⁶ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

¹⁷ Remediated Application, Attachment 1, Customer Notice (The average retail customer uses 4,000 gallons per month).

¹⁸ 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*

District provided updated cost justification information for the Nonrecurring Charges¹⁹ as well as a list of the number of occurrences for each of its Nonrecurring Charges.²⁰ Commission Staff reviewed the cost justification information provided by Crittenden-Livingston District 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. The After-Hours Reconnection Fee increased \$2, from \$90 to \$92, due in part to an increase in labor and transportation expenses, as shown in the cost justification provided in response to Staff's First Request.²¹

Commission Staff recommends that the Commission accept the increase to Reconnection Fee After Hours, as this increase is supported in the cost justification provided by Crittenden-Livingston District,²² and the amount meets the ratemaking criteria of being known and measurable. Commission Staff also recommends that the Commission accept the other nonrecurring charge revisions as the Commission Staff

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).

¹⁹ Crittenden-Livingston District's First Supplemental Response to Staff's First Request (filed April 3, 2025), Item 19, 19_Nonrecurring_Charges_Cost_Justifications.

²⁰ Crittenden-Livingston District's First Supplemental Response to Staff's First Request (filed April 3, 2025), Item 18.

²¹ Crittenden-Livingston District's First Supplemental Response to Staff's First Request (filed April 3, 2025), Item 19, 19_Nonrecurring_Charges_Cost_Justifications at 4.

²² Crittenden-Livingston District's First Supplemental Response to Staff's First Request (filed April 3, 2025), Item 19, 19_Nonrecurring_Charges_Cost_Justifications.

proposed charge reflects the actual cost need to be recovered in rates. The cost justification information, shown in Appendix A, was provided by Crittenden-Livingston District and supports Commission Staff's adjustments to the Nonrecurring Charges. The adjustments discussed above result in the following revised Nonrecurring Charges:

| Nonrecurring Charges | Current Charge | Revised Charge |
|-----------------------------------------|----------------|----------------|
| Connection / Turn-on Charge | \$ 35.00 | \$ 21.00 |
| Connection / Turn-on Charge After Hrs. | \$ 80.00 | \$ 71.00 |
| Reconnection Fee | \$ 50.00 | \$ 42.00 |
| Reconnection Fee After Hrs. | \$ 90.00 | \$ 92.00 |
| Field Collection Charge | \$ 35.00 | \$ 21.00 |
| Meter Relocation Charge | Actual Cost | Actual Cost |
| Meter Reading Re-Check | \$ 35.00 | \$ 21.00 |
| Meter Test Request | \$ 80.00 | \$ 42.00 |
| Broken Meter Lock Fee | Actual Cost | Actual Cost |
| Meter Valve Replacement Fee | Actual Cost | Actual Cost |
| Meter Box Replacement Fee | Actual Cost | Actual Cost |
| Meter Box Top Replacement Fee | Actual Cost | Actual Cost |
| Service Call / Investigation | \$ 35.00 | \$ 21.00 |
| Service Call / Investigation After Hrs. | \$ 80.00 | \$ 71.00 |
| Returned Check Charge | \$ 25.00 | \$ 15.00 |

Crittenden-Livingston District proposed to increase tap-on fees for its 5/8-inch x 3/4-inch Meter from \$750 to \$1,114, and 1-inch Meter from \$850 to \$1,462.²³ Crittenden-Livingston District provided an updated cost justification for its 5/8-inch x 3/4-inch Meter, 1-inch Meter, and 2-inch Meter Connection/Tap-On Charge.²⁴ Commission Staff reviewed the cost justification information provided by Crittenden-Livingston District and noted it supports an increase in the 5/8-inch x 3/4-inch Meter and 1-inch Meter

²³ Remediated Application, Attachment 1, Customer Notice.

²⁴ Crittenden-Livingston District's First Supplemental Response to Staff's First Request (filed April 3, 2025), Item 20, 20_Meter_Tap_Cost_Justifications.

Connection/Tap-On Charge larger than the proposed increase by Crittenden-Livingston District in its application. Commission Staff recommends that the Commission reject Crittenden-Livingston District proposed tap-on charges and accept Crittenden-Livingston District's actual cost-supported increase for the 5/8-Inch x 3/4-Inch Meter, and the 1-inch Meter Connection/Tap-On Charge. Commission Staff recommends increasing the tap on fees to meet the expenses presented in the updated cost justification provided by Crittenden-Livingston District for both meter installs. Specifically, Commission Staff recommends that the 5/8-Inch x 3/4-Inch Meter be increased from \$750 to \$1,950, and that the 1-inch meter charge be increased from \$850 to \$2,364. In addition, Crittenden-Livingston District stated it would like to keep its 2-inch or larger Meter Connection/Tap-On Charges at Actual Cost.²⁵ Commission Staff recommends keeping the charge as Actual Cost as cost fluctuations for these larger meter sizes can differ greatly due to construction requirements.

PRO FORMA OPERATING STATEMENT

Crittenden-Livingston District's Pro Forma Operating Statement for the test year ending December 31, 2023, as determined by Commission Staff, appears in the table below:

²⁵ Crittenden-Livingston District's Response to Staff's Second Request, Item 29.

| Description | Test Year | Crittenden-Livingston District Proposed Adjustments | Commission Staff Adjustments | Total Adjustments | (Ref) | Pro Forma |
|---------------------------------------|--------------|-----------------------------------------------------|------------------------------|-------------------|-------|--------------|
| Operating Revenues | | | | | | |
| Metered Retail Sales | \$ 2,502,135 | \$ 67,499 | | \$ 67,499 | A | \$ 2,569,634 |
| Sales for Resale | 512,317 | | (2,944) | (2,944) | A | 509,373 |
| Other Revenues | | | | | | |
| Forfeited Discounts | 67,097 | | | 0 | | 67,097 |
| Misc Service Revenues | 12,420 | | 463 | 463 | B1 | 12,883 |
| Other | 36,587 | | (35,900) | (35,900) | B2 | 687 |
| Total Operating Revenues | 3,130,556 | 67,499 | (38,381) | 29,118 | | 3,159,674 |
| Operation and Maintenance | | | | | | |
| Salaries and Wages - Employees | 622,678 | | 16,583 | 16,583 | C | |
| | | | (10,566) | (10,566) | C | 628,695 |
| Salaries and Wages - Officers | 6,200 | | (6,200) | (6,200) | D | 0 |
| Employee Benefits - Medical | 75,009 | | 16,268 | 16,268 | E1 | |
| | | | 3,692 | 3,692 | E2 | |
| | | (15,710) | (6,622) | (22,332) | E3 | 72,637 |
| Employee Benefits - Retirement (CERS) | | | (16,268) | (16,268) | E1 | |
| | | | 138,156 | 138,156 | F1 | |
| | | | (21,523) | (21,523) | F2 | |
| | | | 16,697 | 16,697 | F3 | 117,062 |
| Purchased Water | 50,552 | (4,535) | | (4,535) | G1 | 46,017 |
| Purchased Power | 199,422 | (17,892) | | (17,892) | G2 | 181,530 |
| Chemicals | 213,278 | (19,135) | | (19,135) | G3 | 194,143 |
| Materials and Supplies | 548,579 | | (22,814) | | H1 | |
| | | | (294,480) | (317,294) | H2 | 231,285 |
| Contractual Services - Prof Fees | 69,911 | | (10,378) | (10,378) | I | 59,533 |
| Transportation Expenses | 20,541 | | | | | 20,541 |
| Insurance - Gen Liab & Workers Comp | 60,792 | | 15,422 | 15,422 | J | 76,214 |
| Insurance - Other | 1,145 | | | | | 1,145 |
| Bad Debt | (611) | | | | | (611) |
| Miscellaneous Expenses | 82,844 | | (3,917) | (3,917) | K | 78,927 |
| Total | 1,950,340 | (57,272) | (185,950) | (243,222) | | 1,707,118 |
| Amortization | | | | 0 | | 0 |
| Depreciation Expense | 720,392 | | 24,285 | 24,285 | L | 744,677 |
| Taxes Other Than Income | 45,329 | | 2,766 | 2,766 | M | 48,095 |
| Total Operating Expenses | 2,716,061 | (57,272) | (158,899) | (216,171) | | 2,499,890 |
| Net Operating Income | 414,495 | 124,771 | 120,518 | 245,289 | | 659,784 |
| Interest Income | 13,902 | | | 0 | | 13,902 |
| Income Available to Service Debt | \$ 428,397 | \$ 124,771 | \$ 120,518 | \$ 245,289 | | \$ 673,686 |

(A) Operating Revenues. Crittenden-Livingston District reported \$3,014,452 in Operating Revenues during the test year, comprised of \$2,502,135 in Metered Retail

Sales and \$512,317 in Sales for Resale.²⁶ Crittenden-Livingston District proposed one adjustment to correct the Metered Retail Sales to the amount indicated in the billing analysis of \$2,569,634,²⁷ resulting in an increase of \$67,499 to Metered Retail Sales.²⁸ Commission Staff reviewed Crittenden-Livingston District's billing analysis and calculated a revenue of \$509,373 based on wholesale gallons sold²⁹ and the current wholesale tariff rate.³⁰ As such, Commission Staff recommends a reduction of \$2,944 to Sales for Resale revenues. After adjustments, the total pro forma Operating Revenues are \$3,079,007. Commission Staff recommends the Commission accept its adjustments because the pro forma Operating Revenues are consistent with evidence provided in the case record and the amounts meet the ratemaking criteria of being known and measurable.

(B) Other Revenues. Crittenden-Livingston District reported \$116,104 in Other Revenues during the test year.³¹ This amount was comprised of \$67,097 in Forfeited Discounts, \$12,420 in Miscellaneous Service Revenues, for Nonrecurring Charges revenue, and \$36,587 in Other Revenues. During its review, Commission Staff determined Crittenden-Livingston District should have recovered \$17,825 from its Nonrecurring Charges during the test year, based on the reported occurrences³² and the

²⁶ Application, Attachment 4, Schedule of Adjusted Operations.

²⁷ Crittenden-Livingston District's Response to Staff's First Request, Item 3, Rate Study, ExBA Tab.

²⁸ Application, Attachment 4, References, Reference A.

²⁹ 2023 Annual Report at 56.

³⁰ Crittenden-Livingston District's Tariff, PSC Ky. 1st Revised Sheet No. 4.2 at 7.

³¹ Application, Attachment 4, Schedule of Adjusted Operations.

³² Crittenden-Livingston District's Response to Staff's First Request, Item 18.

current charges listed in the tariff,³³ instead of the \$12,420 amount it reported. However, Commission Staff was unable to determine the location in the general ledger where the difference in the revenues had been recorded. Commission Staff recommends an increase of \$463 (B1) to Miscellaneous Service Revenues to match the pro forma Non-recurring Charge revenue of \$12,883 shown in the table below.

| Charge | Occurrences | Current Charge | Revised Charge | Pro Forma |
|-----------------------------------------|-------------|----------------|----------------|--------------|
| Connection / Turn-on Charge | 92 | \$35.00 | \$21.00 | \$1,932 |
| Connection / Turn-on Charge After Hrs. | 0 | \$80.00 | \$71.00 | - |
| Reconnection Fee | 179 | \$50.00 | \$42.00 | 7,518 |
| Reconnection Fee After Hrs. | 0 | \$90.00 | \$92.00 | - |
| Field Collection Charge | 0 | \$35.00 | \$21.00 | - |
| Meter Relocation Charge | 0 | Actual Cost | Actual Cost | - |
| Meter Reading Re-Check | 0 | \$35.00 | \$21.00 | - |
| Meter Test Request | 0 | \$80.00 | \$42.00 | - |
| Broken Meter Lock Fee | 5 | Actual Cost | Actual Cost | 100 |
| Meter Valve Replacement Fee | 0 | Actual Cost | Actual Cost | - |
| Meter Box Replacement Fee | 0 | Actual Cost | Actual Cost | - |
| Meter Box Top Replacement Fee | 0 | Actual Cost | Actual Cost | - |
| Service Call / Investigation | 153 | \$35.00 | \$21.00 | 3,213 |
| Service Call / Investigation After Hrs. | 0 | \$80.00 | \$71.00 | - |
| Returned Check Charge | 8 | \$25.00 | \$15.00 | 120 |
| Pro Forma Test Year NRC Revenue | | | | 12,883 |
| Test Year NRC Revenue () | | | | (12,420) |
| Adjustment | | | | <u>\$463</u> |

Finally, Crittenden-Livingston District stated \$35,900 of the revenues recorded in the test year in Other Revenues were from insurance proceeds and would not recur.³⁴ Commission Staff recommends removing the insurance proceeds in the amount \$35,900 (B2) from Other Revenues. The remaining Other Revenues consisted of \$100 in

³³ Crittenden-Livingston District's Tariff, PSC Ky. Original Sheet No. 7 at 10.

³⁴ Crittenden-Livingston District's Response to Staff's First Request, Item 15.

miscellaneous income and \$587 in scrap metal sales.³⁵ Overall, Commission Staff's recommendations result in Pro Forma Other Revenues of \$80,667. Commission Staff recommends the Commission approve its adjustment to the test-year revenues as they are based on known and measurable changes to the revenues.

(C) Salaries and Wages - Employees. Crittenden-Livingston District reported \$622,678 in Salaries and Wages – Employees during the test year and proposed no changes.³⁶ Using the 2024 hours and wage information,³⁷ Commission Staff calculated total wages based on employees' salaries and test year salary rates and identified that an increase of \$16,583 was necessary, as shown in the table below.

| Employee Number | Job Title | Pay Rate | Overtime Pay Rate | Regular Hours | Overtime Hours | Regular Wages | Overtime Wages | Total Wages |
|----------------------------------|-----------------------------|----------|-------------------|---------------|----------------|---------------|----------------|-----------------|
| 1 | Superintendent | Salary | Salary | Salary | Salary | \$ 43,717 | \$ - | \$43,717 |
| 2 | Office Manager | \$24.40 | \$36.60 | 2,114 | 166 | 51,582 | 6,057 | 57,639 |
| 3 | Water Plant Manager | \$24.82 | \$37.23 | 2,183 | 414 | 54,170 | 15,413 | 69,583 |
| 4 | Distribution Manager | \$24.45 | \$36.68 | 2,057 | 189 | 50,281 | 6,914 | 57,196 |
| 5 | Customer Service Rep | \$18.10 | \$27.15 | 2,080 | 51 | 37,648 | 1,391 | 39,039 |
| 7 | Water Distribution Operator | \$22.03 | \$33.05 | 2,241 | 405 | 49,369 | 13,369 | 62,738 |
| 8 | Water Distribution Operator | \$16.70 | \$25.05 | 2,109 | 140 | 35,220 | 3,494 | 38,715 |
| 9 | Water Distribution Operator | \$17.85 | \$26.78 | 2,215 | 393 | 39,529 | 10,511 | 50,040 |
| 18 | Meter Reader/ Laborer | \$16.00 | \$24.00 | 997 | 91 | 15,952 | 2,184 | 18,136 |
| 10 | Meter Reader/ Laborer | \$16.49 | \$24.74 | 975 | 60 | 16,070 | 1,484 | 17,554 |
| 12 | Water Plant Operator | \$20.96 | \$31.44 | 2,078 | 289 | 43,555 | 9,086 | 52,641 |
| 13 | Water Plant Operator | \$21.33 | \$32.00 | 2,154 | 279 | 45,945 | 8,928 | 54,873 |
| 14 | Water Plant Operator | \$16.10 | \$24.15 | 369 | 24 | 5,937 | 580 | 6,516 |
| 15 | Water Plant Operator | \$16.49 | \$24.74 | 2,147 | 361 | 35,404 | 8,931 | 44,335 |
| 19 | Water Plant Operator | \$15.00 | \$22.50 | 80 | 2 | 1,200 | 45 | 1,245 |
| 20 | Water Plant Operator | \$18.00 | \$27.00 | 1,175 | 154 | 21,150 | 4,145 | 25,295 |
| Total | | | | 24,972 | 3,015 | \$ 546,728 | \$ 92,533 | 639,261 |
| Test Year Salaries and Wages () | | | | | | | | (622,678) |
| Adjustment | | | | | | | | <u>\$16,583</u> |

³⁵ Crittenden-Livingston District's Response to Staff's First Request, Item 15.

³⁶ Application, Attachment 4, Schedule of Adjusted Operations.

³⁷ Crittenden-Livingston District's Response to Staff's First Request, Item 4, Employee Detail 2024 Excel Document.

Crittenden-Livingston District stated it did not remove tap fees from its labor expense, but did capitalize the materials portion of the expense.³⁸ Commission Staff proposes to remove the labor cost for each tap installation at 30 percent of the tap fees installed during the test year. Crittenden-Livingston District stated 43 installations were completed in the test year,³⁹ at the rate provided in Crittenden-Livingston District's current tariff.⁴⁰ The removal of the labor portion of the tap fees installed during the test year results in a reduction of \$10,566 to Crittenden-Livingston District's salary and wage expense as shown in the table below. 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.⁴¹ Commission Staff capitalized the costs and made a corresponding adjustment to the test-year depreciation of \$235 in the section below.

| Description | Amount |
|----------------------|------------------|
| Tap Fees Collected | \$ 35,221 |
| Allocated Percentage | 30% |
| Adjustment | <u>\$ 10,566</u> |

Commission Staff recommends the Commission accept Staff's adjustments as the adjustments reflect known, approved staffing numbers and pay rates, and appropriate accounting for labor costs associated with tap installations.

³⁸ Crittenden-Livingston District's Response to Staff's First Request, Item 11b.

³⁹ Crittenden-Livingston District's Response to Staff's First Request, Item 11a.

⁴⁰ Crittenden-Livingston District's Current Tariff, 1st Revised Sheet No. 6.

⁴¹ USoA, Accounting Instruction 19 and 33.

(D) Salaries and Wages - Officers. Crittenden-Livingston District reported \$6,200 in Salaries and Wages - Officers during the test year.⁴² Crittenden-Livingston District has six commissioners who are each paid \$1,200 yearly,⁴³ resulting in total commissioner wages of \$7,200. Crittenden-Livingston District provided training records for four of its six commissioners⁴⁴ and Fiscal Court Minutes that approved their appointments⁴⁵ but did not provide documentation authorizing the Board of Commissioners' pay from the Fiscal Court. KRS 74.020(6) states that "[e]ach commissioner shall receive an annual salary of not more than thirty-six hundred dollars (\$3,600)" and that "[i]n fixing and approving the salary of the commissioners, the county judge/executive and the fiscal court shall take into consideration the financial condition of the district and its ability to meet its obligations as they mature."⁴⁶ Because Crittenden-Livingston District did not provide the salary authorization or the training records for all of its commissioners, Commission Staff recommends removing Crittenden-Livingston District's proposed \$6,200 in commissioners' salaries.

(E) Employee Benefits - Medical. Crittenden-Livingston District reported \$75,009 in Employee Benefits during the test year.⁴⁷ Commission Staff determined that the separation of the medical-related benefits costs from retirement benefits would better

⁴² Application, Attachment 4, Schedule of Adjusted Operations.

⁴³ Crittenden-Livingston District's Supplemental Response to Staff's First Request, Item 10, Board Members Excel Document (filed April 3, 2025).

⁴⁴ Crittenden-Livingston District's Supplemental Response to Staff's Second Request, Item 10b.

⁴⁵ Crittenden-Livingston District's Supplemental Response to Staff's First Request, Item 10a.

⁴⁶ KRS 74.020(6), Appointment of commissioners – Number – Terms – Removal – Vacancies – Organization – Bond – Compensation – Mandatory Training – Notice of Vacancy.

⁴⁷ Application, Attachment 4, Schedule of Adjusted Operations.

facilitate discussion of the respective adjustments. Based upon the cross-reference submitted by Crittenden-Livingston District, the test-year amount contained a negative \$16,268 (E1) in retirement expenses due to reductions for accounting purposes that are discussed in the Employee Benefits – Retirement section below.⁴⁸ Commission Staff recommends reclassifying this expense to the Employee Benefits – Retirement section below, resulting in test-year medical-related benefit costs of \$91,277.⁴⁹

Crittenden-Livingston District has 11 employees who receive employee-only medical coverage, one employee who receives employee and one dependent medical coverage, and two employees who receive employee and multiple dependents' medical coverage.⁵⁰ All 14 employees also receive dental, life, and vision coverage, with one employee receiving dependent dental in addition to their own coverage.⁵¹ Using the descriptions provided by Crittenden-Livingston District of its offered benefits⁵² and the submitted 2025 invoices,⁵³ Commission Staff calculated an increase of \$3,692 (E2) to reach the Total Annual Net Health Insurance Cost of \$94,968 shown in the table below.

Crittenden-Livingston District proposed a reduction of \$15,710 (E3) to reflect the Bureau of Labor Statistics (BLS) national averages related to employee benefit coverage

⁴⁸ Crittenden-Livingston District's Response to Staff's First Request, Item 1c, Cross Reference Excel Document.

⁴⁹ $\$75,009 - (\$16,268) = \$91,277$.

⁵⁰ Crittenden-Livingston District's Response to Staff's First Request, Item 5b, Medical 2025 Invoice.

⁵¹ Crittenden-Livingston District's Response to Staff's First Request, Item 5b, Dental 2025 and Life Insurance 2025 Invoices.

⁵² Crittenden-Livingston District's Response to Staff's First Request, Item 5.

⁵³ Crittenden-Livingston District's Response to Staff's First Request, Item 5b.

contributions.⁵⁴ Because of the reclassified and further adjusted Medical Benefit cost, Commission Staff recommends an additional reduction of \$6,622 (E3) to reach the recommended contribution amount of \$22,332, as shown in the table below. Consistent with Commission precedent, Commission Staff used the BLS average employee contributions for private industry workers of 20 percent for single coverage and 32 percent for family coverage,⁵⁵ and the Willis Benchmarking Survey for national average of 60 percent for an employee's share of dental as the basis of its calculation.⁵⁶ Crittenden-Livingston District did not provide any evidence of a wage study or comparative information in the record to support any variance from the averages contained in a nationally recognized survey. Commission Staff recommends the Commission accept Commission Staff's adjustments as the amounts are known and measurable, are consistent with Commission precedent, and match the information provided in the case record.

⁵⁴ Application, Attachment 4, References, Reference B.

⁵⁵ U.S. Bureau of Labor Statistics, Share of Premiums Paid by Employer and Employee for Single Coverage, March 2023 <https://www.bls.gov/news.release/ebs2.t03.htm>, U.S. Bureau of Labor Statistics, Share of Premiums Paid by Employer and Employee for Family Coverage, March 2023 <https://www.bls.gov/news.release/ebs2.t04.htm>.

⁵⁶ See Case No. 2017-00263, Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment (Ky. PSC Dec. 22, 2017), Order at 9-10; and The Willis Benchmarking Survey, 2015, at 62-63. (https://www.willis.com/Documents/publications/Services/Employee_Benefits/20151230_2015WillisBenefitsBenchmarkingSurveyReport.pdf)

| Type of Premium | Number of Employees | Cost | Current Employee Contribution Amount | Current Employee Contribution Percentage | Recommended Contribution Percentage | Recommended Contribution Amount | Incremental Adjustment | Pro Forma Monthly Premium |
|-----------------------------------------|---------------------|-----------|--------------------------------------|------------------------------------------|-------------------------------------|---------------------------------|------------------------|---------------------------|
| Medical Insurance - Employee Only | 11 | \$ 4,579 | \$ - | 0.00% | 20% | \$ (916) | \$ (916) | \$ 3,663 |
| Medical Insurance - Employee + Child | 1 | 749 | (333) | 44.44% | 32% | (240) | 93 | 510 |
| Medical Insurance - Employee + Children | 2 | 1,499 | (666) | 44.44% | 32% | (480) | 187 | 1,019 |
| Total Medical Insurance | | 6,827 | (999) | 14.63% | | (1,635) | (636) | 5,192 |
| Dental Insurance | 14 | 377 | (30) | 7.90% | 60% | (226) | (196) | 151 |
| Life Insurance | 14 | 552 | | | - | - | | 552 |
| Vision Insurance | 14 | 88 | | | - | - | | 88 |
| Administration Fee | 14 | 70 | | | - | - | | 70 |
| Total Monthly Pro Forma Premium | | 7,914 | (1,029) | | | (1,861) | (832) | 6,053 |
| Multiplied by: 12 Months | | 12 | 12 | | | 12 | 12 | 12 |
| Total Annual Net Health Insurance Cost | | \$ 94,968 | \$ (12,348) | | | \$ (22,332) | \$ (9,984) | 72,631 |
| Test Year Net Insurance Cost () | | (91,276) | | | | - | | |
| Commission Staff's Adjustment | | \$ 3,692 | | | | \$ (22,332) | | \$ (18,640) |
| | | E2 | | | | E3 | | |

(F) Employee Benefits - Retirement. As discussed in the Employee Benefits – Medical section above, Commission Staff recommends reclassifying a negative \$16,268 (E1) amount to Employee Benefits – Retirement based on the cross-reference provided by Crittenden-Livingston District.⁵⁷ Crittenden-Livingston District participates in the County Employees Retirement System (CERS) managed by the Kentucky Public Pension Authority (KPPA).⁵⁸ The district stated the reason for the negative Retirement in the test year was due to large credits recorded as end-of-year adjustments in relation to GASB 68 and 75.⁵⁹ In Case No. 2016-00163,⁶⁰ Commission Staff discussed in detail how reporting requirements for GASB 68 would affect a utility's income statement and balance sheet. In that proceeding, the Commission found that the annual pension expense should be equal to the amount of a district's contributions to CERS.

⁵⁷ Crittenden-Livingston District's Response to Staff's First Request, Item 1c, Cross Reference Excel Document.

⁵⁸ Crittenden-Livingston District's Response to Staff's First Request, Item 5.

⁵⁹ Crittenden-Livingston District's Response to Staff's Second Request, Item 1.

⁶⁰ Case No. 2016-00163, *Alternative Rate Adjustment Filing of Marion County Water District* (Ky. PSC Nov. 10, 2016), Order at 11–15.

Commission Staff recommends three adjustments to Crittenden-Livingston District's CERS contributions. First, Commission Staff recommends an increase of \$138,156 (F1) for Pension and Other Post Employment Benefits (OPEB) related to GASB 68 and GASB 75, shown in the table below.

| Description | Prior Year | Test Year (trial balance) |
|----------------------------|-----------------------|---------------------------|
| Deferred Outflow - Pension | \$ 102,440 | \$ 120,589 |
| Deferred Outflow - OPEB | 131,504 | 61,000 |
| Liability - Pension () | (1,310,259) | (1,133,797) |
| Liability - OPEB () | (357,640) | 24,395 |
| Deferred Inflow - () | (46,586) | (161,304) |
| Deferred Inflow - () | (147,500) | (400,768) |
| Net Liability | <u>\$ (1,628,041)</u> | <u>\$ (1,489,885)</u> |
| Decrease / (Increase) | | <u>\$ (138,156)</u> |

Commission Staff also recommends a decrease of \$21,523 (F2) to account for the reduction in the CERS contribution rate from the test year.⁶¹ Third, Commission Staff recommends an increase of \$16,697 (F3) to account for the increase in wages discussed above. The recommended adjustments result in a pro forma amount of \$117,062 as shown in the table below. Commission Staff recommends the Commission accept Commission Staff's adjustments as the amounts are known and measurable.

⁶¹ CERS Board of Trustees December 2, 2024 Meeting, Minutes, Page 2. CERS Contribution Rate in the test year was 26.79 percent and is 18.62 percent in the current year.

| Description | Test Year | Pro Forma |
|------------------------------------|--------------------|-------------------|
| Wages | \$ 622,678 | \$ 628,695 |
| Contribution Rate | 22.08% | 18.62% |
| Contributions | 137,466 | 117,062 |
| GASB 68 and 75 Accounting Adjustme | (138,156) | 0 |
| Utility Liability Adjustment | (15,578) | 0 |
| Total | <u>\$ (16,268)</u> | <u>\$ 117,062</u> |

| | |
|-----------------------|-------------------|
| Increase / (Decrease) | <u>\$ 133,330</u> |
|-----------------------|-------------------|

| <i>Reconciliation</i> | Adjustment |
|--------------------------------------|-------------------|
| Eliminate GASB 68 and 75 Adjustments | \$ 138,156 |
| Change in Contribution Rate | (21,523) |
| Change in Wages | 16,697 |
| Total | <u>\$ 133,330</u> |

(G) Excess Water Loss. Crittenden-Livingston District produces 96 percent of its water⁶² and purchases the remainder from Webster County Water District.⁶³ The Commission notes that in its 2023 Annual Report, Crittenden-Livingston District reported a water loss of 23.9717 percent.⁶⁴ Crittenden-Livingston District proposed adjustments for water loss above 15 percent, 8.9717 percent in the amounts \$4,535 (G1), \$17,892 (G2), and \$19,135 (G3) for purchased water, purchased power, and chemicals, respectively, as shown in the table below. Commission Staff reviewed Crittenden-Livingston District's purchased water information⁶⁵ as well as the general ledger account for purchased power and chemicals and determined no additional adjustments were

⁶² 2023 Annual Report at 57.

⁶³ 2023 Annual Report at 54.

⁶⁴ 2023 Annual Report at 58.

⁶⁵ Crittenden-Livingston District's Response to Staff's First Request, Items 7 and 8.

necessary. Commission Staff recommends the Commission accept Crittenden-Livingston District's \$4,535 decrease to Purchased Water, \$17,892 decrease to Purchased Power, and \$19,135 decrease to Chemicals, since KRS 278.280(2) limits the excess water loss recoverable for rate making purposes to 15 percent.

| Disallowed Water Loss | Purchased Water | Purchased Power | Purchased Chemicals | Total |
|-----------------------------|-----------------|-----------------|---------------------|------------|
| Pro Forma Purchases | \$ 50,552 | \$ 199,422 | \$ 213,278 | \$ 463,252 |
| Water Loss in Excess of 15% | 8.9717% | 8.9717% | 8.9717% | 8.9717% |
| Disallowed Water Loss | \$ 4,535 | \$ 17,892 | \$ 19,135 | \$ 41,562 |

(H) Materials and Supplies. Crittenden-Livingston District reported \$548,579 in Materials and Supplies expenses during the test year.⁶⁶ Crittenden-Livingston District stated there were two transactions that should have not been included in the test year amount. The first item was due to the amount being refunded, Ferguson Waterworks in the amount of \$12,814,⁶⁷ and the other was funded through insurance proceeds, GlobalTech Power, in the amount of \$10,000,⁶⁸ resulting in a total reduction of \$22,814 (H1). Commission Staff recommends removing these amounts from the Revenue Requirement because they are not current period expenses and should be recovered in rates over the useful lives of each item.

During Commission Staff's review of Crittenden-Livingston District's general ledger accounts for Materials and Supplies, it also identified several large expenditures that should have been capitalized. When Commission Staff asked for further information about the expenditures, Crittenden-Livingston District stated that none of the remaining

⁶⁶ Application, Attachment 4, Schedule of Adjusted Operations.

⁶⁷ Crittenden-Livingston District's Response to Staff's Third Request, Item 1a.

⁶⁸ Crittenden-Livingston District's Response to Staff's Second Request, Item 4.

expenditures should have been capitalized,⁶⁹ and said it was advised by its accountant that because it was service made to existing equipment and not purchasing new equipment it could not be capitalized.⁷⁰ Crittenden-Livingston District provided a timeline for a portion of the items stating how often it expects to perform the activity described with the remaining items not being given a timeline and instead stating they do not recur and are only performed as needed.⁷¹ Accounting Instruction 27 B(1) of the USoA for Class A/B Water Systems states that the cost of retirement units added to utility plant shall be accounted for as provided in Accounting Instruction 21 of the USoA, which provides methodology for capitalization of purchased assets including nonrecurring maintenance expenses that extend the useful life of an asset.⁷² Further, the inclusion of expenses that are not recurring every year in a recurring Revenue Requirement does not meet the criteria of fair, just and reasonable rates.

Therefore, Commission Staff recommends removing the amounts from Materials and Supplies expense and amortizing the cost of each asset's estimated useful life as part of Depreciation Expense, which is included as an adjustment below. This results in a net reduction of \$294,480 (H2) from Materials and Supplies and combined with adjustment H1 described above result in a total reduction of \$317,293 as shown in the table below, resulting in a pro forma amount of \$231,285. Commission Staff recommends that the Commission accept Commission Staff's adjustment as the expenditures included

⁶⁹ Crittenden-Livingston District's Response to Staff's Second Request, Items 2–11.

⁷⁰ Crittenden-Livingston District's Response to Staff's Third Request, Item 1d.

⁷¹ Crittenden-Livingston District's Response to Staff's Third Request, Item 1c.

⁷² USoA, Accounting Instruction 27 B(1), at 33.

were used to extend the life of an existing asset and should therefore be capitalized according to the USoA instructions for utility plant accounting.

| Date | Number | Vendor | Description | Amount |
|------------|-----------|------------------------------------------|-------------------------------------------------|-------------------|
| 01/11/2023 | 31044 | Ferguson Waterworks | Pressure Valves and Setters | \$ 12,814 |
| 01/27/2023 | 7403334 | GlobalTech Power | covered by insurance | 10,000 |
| 03/29/2023 | 232611-1 | All Service Contracting Corp. | Filter Rehab project | 22,446 |
| 04/18/2023 | 21395 | Pittsburg Tank & Tower Maint. Co. | Filter Rehab project | 29,427 |
| 04/20/2023 | 42680 | Southern Electric Motor Sales & Service, | replace variable frequency drive at water plant | 16,237 |
| 06/08/2023 | 31384 | All Service Contracting Corp. | Filter Rehab project | 125,562 |
| 08/23/2023 | 08232301 | HTI, Inc. | SCADA upgrades | 9,412 |
| 10/12/2023 | 401287104 | Xylem | backwash lagoon cleanout | 4,268 |
| 12/29/2023 | 143295 | Mainstream Commercial Divers, Inc. | divers to install plug in wet well | 4,127 |
| Total | | | | <u>\$ 234,293</u> |

621.03 Repairs & Maint - Pumps & Tanks

| Date | Number | Vendor | Description | Amount |
|----------------|--------|------------------------------------------|----------------------------------------------|-------------------|
| 03/02/2023 | 2323 | Complete Restoration LLC | water tank painting | \$ 17,973 |
| 03/14/2023 | 2323-1 | Complete Restoration LLC | water tank painting | 17,973 |
| 04/20/2023 | 42679 | Southern Electric Motor Sales & Service, | complete pump rebuild | 7,454 |
| 05/18/2023 | 42733 | Southern Electric Motor Sales & Service, | Filter Rehab project | 2,060 |
| 10/17/2023 | 1102 | Independent Tank and Tower, Inc. | painted tank head | 11,000 |
| 11/03/2023 | 43061 | Southern Electric Motor Sales & Service, | rebuilt river pump | 13,607 |
| 11/30/2023 | 41000 | Guthrie Sales & Service | replacing piping in wet well | 3,617 |
| 12/28/2023 | 2301 | Midco Diving & Marine Services, Inc | divers mounted blank of end of pipe in river | 9,317 |
| Total | | | | <u>\$ 83,001</u> |
| Combined Total | | | | <u>\$ 317,293</u> |

(I) Contractual Services – Prof Fees. Crittenden-Livingston District reported \$69,911 in Contractual Services – Prof Fees during the test year.⁷³ Crittenden-Livingston District provided invoices for Kemper CPA Group during the test year, totaling \$23,378, that showed the test year amount included fees for the preparation of both the 2021 and 2022 audits.⁷⁴ Crittenden-Livingston District provided an estimate for the preparation of the 2024 audit at approximately \$13,000.⁷⁵ Commission Staff recommends a decrease

⁷³ Application, Attachment 4, Schedule of Adjusted Operations.

⁷⁴ Crittenden-Livingston District's Response to Staff's Second Request, Item 13a.

⁷⁵ Crittenden-Livingston District's Response to Staff's Second Request, Item 13c.

of \$10,378⁷⁶ to account for the cost of an previous year's audit being included in the test year amount. Commission Staff recommends the Commission accept Commission Staff's adjustment because it is based on reliable information in the record and reflects values that have been provided as a reasonable estimate.

(J) Insurance – Gen Liab & Workers Comp. Crittenden-Livingston District reported \$60,792 in Insurance – Gen Liab & Workers Comp, representing expenses for general liability and workers compensation insurance during the test year.⁷⁷ Commission Staff reviewed the submitted Workers' Compensation Invoice⁷⁸ and Liability Invoice⁷⁹ and determined an increase of \$15,422 was necessary to account for the increased cost, as shown in the table below. Commission Staff recommends the Commission accept Commission Staff's recommended adjustment as the information in the case record supports the amount.

| Description | Amount |
|-----------------------------|------------------|
| 2025 Workers Comp Invoice | \$ 19,519 |
| 2025 KACO Liability Invoice | 56,695 |
| Total Insurance | 76,214 |
| Test Year () | (60,792) |
| Commission Staff Adjustment | <u>\$ 15,422</u> |

(K) Miscellaneous Expenses. Crittenden-Livingston District reported \$82,844 in Miscellaneous Expenses during the test year.⁸⁰ Commission Staff identified expenses

⁷⁶ \$23,378 - \$13,000 = \$10,378.

⁷⁷ Application, Attachment 4, Schedule of Adjusted Operations.

⁷⁸ Crittenden-Livingston District's Response to Staff's First Request, Item 6, Workers Comp Invoice.pdf.

⁷⁹ Crittenden-Livingston District's Response to Staff's First Request, Item 6, Liability Invoice.pdf.

⁸⁰ Application, Attachment 4, Schedule of Adjusted Operations.

totaling \$3,917, shown in the table below, in Crittenden-Livingston District's test year general ledger that it recommends for removal from the revenue requirement. First, Commission Staff recommends removing the expenses related to the Christmas party because these costs are not directly related to Crittenden-Livingston District's ability to provide service to its customers and therefore should not be recovered through rates. Second, Commission Staff recommends removing the expenses related to employee safety awards because Crittenden-Livingston District does not have any written policies or procedures in place that address the bonuses.⁸¹ The adjustments result in a total reduction of \$3,917 as shown in the table below. Commission Staff recommends the Commission accept Commission Staff's adjustment as the amounts are known and measurable.

| Date | Vendor | Description | Amount |
|------------|----------------------|-----------------------------------------------------------------------|-----------------|
| 01/05/2023 | Mellow Mushroom | Employee Christmas Party | \$ 538 |
| 01/05/2023 | Mellow Mushroom | Gift Cards for Employees working and unable to attend Christmas Party | 60 |
| 12/15/2023 | Wal-Mart | employee safety awards | 1,034 |
| 12/15/2023 | Wal-Mart | employee safety awards | 1,034 |
| 12/19/2023 | Wal-Mart | employee safety award | 621 |
| 12/22/2023 | Feed Mill Restaurant | Employee Christmas Party | 629 |
| Total | | | <u>\$ 3,917</u> |

(L) Depreciation Expense. Crittenden-Livingston District reported \$720,392 in Depreciation Expenses during the test year.⁸² To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the National Association of Regulatory Utility Commissioners (NARUC) titled Depreciation Practices for Small Utilities (NARUC Study). When no evidence exists to

⁸¹ Crittenden-Livingston District's Response to Staff's Third Request, Item 2.

⁸² Application, Attachment 4, Schedule of Adjusted Operations.

support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant.⁸³ Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Commission Staff reviewed Crittenden-Livingston District's depreciation information⁸⁴ and determined no adjustment was necessary.

As discussed in the both the Salaries and Wages section and the Materials and Supplies section above, Commission Staff capitalized some expenses incurred during the test year. Commission Staff increased Depreciation Expense by \$24,285 as shown in the table below. Commission Staff used the midpoint expected replacement timeline for each asset's life when provided by Crittenden-Livingston District⁸⁵ and used the NARUC Study asset lives when that information was not provided. Commission Staff recommends the Commission accept Commission Staff's adjustment to account for the additional assets included in Depreciation.

⁸³ 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.

⁸⁴ Crittenden-Livingston District's Response to Staff's First Request, Item 11c, Fixed Asset Register Excel Document.

⁸⁵ Crittenden-Livingston District's Response to Staff's Third Request, Item 1c.

| Asset | Original Cost | Asset Life | Adjusted Depreciation | Ref |
|-----------------------------------------|---------------|------------|-----------------------|-----|
| Tap Fees | \$ 10,566.00 | 45.00 | \$ 235.00 | C |
| Filter Rehab | 22,446.00 | 12.50 | 1,796.00 | |
| Filter Rehab | 29,427.30 | 12.50 | 2,354.00 | |
| Variable Frequency Drive at Water Plant | 16,237.11 | 12.50 | 1,299.00 | |
| Filter Rehab | 125,562.00 | 12.50 | 10,045.00 | |
| SCADA upgrades | 9,412.00 | 10.00 | 941.00 | |
| Backwash lagoon cleanout | 4,267.56 | 2.00 | 2,134.00 | |
| Divers to install plug in wet well | 4,127.10 | 30.00 | 138.00 | |
| Water Tank Painting | 17,972.50 | 12.50 | 1,438.00 | |
| Water Tank Painting | 17,972.50 | 12.50 | 1,438.00 | |
| Pump Rebuild | 7,454.23 | 20.00 | 373.00 | |
| Filter Rehab project | 2,060.00 | 12.50 | 165.00 | |
| Painted Tank Head | 11,000.00 | 12.50 | 880.00 | |
| River Pump | 13,607.38 | 20.00 | 680.00 | |
| Replace Piping in Wet well | 3,616.63 | 30.00 | 121.00 | |
| Mounting End of Pipe in River | 9,317.35 | 37.50 | 248.00 | |
| sub-total | \$ 294,479.66 | | \$ 24,050.00 | L |
| Total Adjustment | | | \$ 24,285.00 | |

(M) Taxes Other Than Income. Crittenden-Livingston District reported \$45,329 in Taxes Other Than Income during the test year and did not propose an adjustment.⁸⁶ Commission Staff calculated updated FICA taxes for the additional employees and updated wage rates in the amount of \$48,646 as shown in the table below. Commission Staff increased Taxes Other than Income by \$3,317 to reach the Pro Forma amount from the test-year amount. Commission Staff recommends that the Commission accept the Commission Staff's adjustments as the amounts are known and measurable.

⁸⁶ Application, Attachment 4, Schedule of Adjusted Operations.

| Description | Amount |
|---------------------------------------|-----------------|
| Salaries and Wages - Employees | \$ 628,695 |
| Salaries and Wages - Officers | 7,200 |
| Total Salaries and Wages | 635,895 |
| FICA Percent | 7.65% |
| Pro Forma FICA | 48,646 |
| Test Year Taxes Other than Income () | (45,329) |
| Adjustment | <u>\$ 3,317</u> |

OVERALL REVENUE REQUIREMENT AND
REQUIRED REVENUE INCREASE

In its application, Crittenden-Livingston District proposed using the Debt Service Coverage Method.⁸⁷ The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations. This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital;⁸⁸ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

⁸⁷ Application, Exhibit 4, Revenue Requirements Table.

⁸⁸ The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm'n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky. 1986). Although a water district's lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account's balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district's general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

| Description | Crittenden-Livingston District | Commission Staff |
|------------------------------------------------|--------------------------------|------------------|
| Pro Forma Operating Expenses | \$ 2,658,789 | \$ 2,499,890 |
| Average Annual Principal and Interest Payments | 896,000 | 888,378 |
| Additional Working Capital at 20% | 179,200 | 177,676 |
| Total Revenue Requirement | 3,733,988 | 3,565,944 |
| Other Revenue () | (116,104) | (80,667) |
| Interest Income () | (13,902) | (13,902) |
| Revenue Required From Water Sales | 3,603,982 | 3,471,375 |
| Revenue from Sales at Present Rates () | (3,081,951) | (3,079,007) |
| Required Revenue Increase / (Decrease) | \$ 522,031 | \$ 392,368 |
| Percentage Increase / (Decrease) | 16.94% | 12.74% |

1. Average Annual Principal and Interest Payments and Additional Working Capital. Crittenden Livingston District requested to recover debt service of \$896,000 on one Rural Development Bond, two 2013 C Bonds, three KIA Loans, and three KACo Loans based on a five-year average of the annual principal, interest, and fee payments for years 2024-2028.⁸⁹ Commission Staff recalculated the amount based on the years 2025–2029. Those changes resulted in a revised average annual principal, interest, and fee payments of \$888,378 as shown in the table below.

The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its exhibits, Crittenden-Livingston District requested recovery of an allowance for working

⁸⁹ Remediated Application, Attachment 9, Amortization Schedules (filed Jan 9, 2025).

capital that is equal to 120 percent of its average annual debt payments, or \$179,200.⁹⁰

Following the Commission's historic practice of including additional working capital, Commission Staff agrees with the inclusion of a working capital provision; however, it calculated the amount at \$177,676 based on the revision to the debt service discussed above.

| Loan | 2025 | | 2026 | 2027 | 2028 | 2029 | Total |
|--------------------------------------------|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|
| 2008 RD Bonds | \$ 54,143 | \$ 7,208 | \$ 52,208 | \$ 55,134 | \$ 52,921 | \$ 16,474 | \$ 230,880 |
| 2013 C | 312,573 | 32,574 | 307,574 | 308,678 | 294,355 | 299,868 | 1,523,048 |
| 2013 C | 128,429 | 50,673 | 125,673 | 123,291 | 125,734 | 128,011 | 631,138 |
| KIA Radio Read | 18,550 | 2,700 | 18,518 | 18,487 | 18,455 | 18,422 | 92,432 |
| Moore Hill Water Tower | 59,953 | 11,870 | 59,834 | 59,713 | 59,591 | 59,466 | 298,557 |
| KIA - Meters | 20,624 | 7,533 | 20,598 | 20,572 | 20,544 | 20,517 | 102,855 |
| 2018 KACo | 148,844 | 59,469 | 149,469 | 149,844 | 149,969 | 150,369 | 748,495 |
| 2017 KACo | 162,192 | 57,381 | 161,964 | 161,473 | 163,493 | 165,365 | 814,487 |
| Totals | <u>\$907,333</u> | <u>\$ 229,408</u> | <u>\$897,864</u> | <u>\$899,219</u> | <u>\$887,090</u> | <u>\$860,521</u> | <u>4,441,892</u> |
| Divided by 5 Years | | | | | | | 5 |
| 5 Year Average Principal Interest and Fees | | | | | | | 888,378 |
| Additional Working Capital at 20% | | | | | | | <u>\$ 177,676</u> |

Commission Staff recommends the Commission approve Commission Staff's inclusion of \$888,378 and \$177,676 to the Revenue Requirement to account for average annual principal and interest payments, and additional working capital, respectively, because DSC methodology allows for the recovery of principal and interest payments and the additional working capital is a direct result of the calculated Annual Debt Principal and Interest payments.

⁹⁰ Application, Attachment 4, Revenue Requirements Calculation Chart.

Signatures

/s/ William Pearce

Prepared by: William Pearce
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. 2024-00278 DATED JUL 14 2025

* Denotes Rounding

Nonrecurring Charges Adjustments

| Connection / Turn-on Charge | | | |
|-------------------------------|------------------------|----------------------|--------------|
| | Utility Revised Charge | Staff Revised Charge | |
| Field Materials | \$ - | \$ | - |
| Field Labor (2hrs \$16.50/hr) | \$ 33.00 | \$ | - |
| Office Supplies | \$ - | \$ | - |
| Office Labor | \$ 16.00 | \$ | - |
| Transportation | \$ 21.00 | \$ | 21.00 |
| Misc. | \$ - | \$ | - |
| Total Revised Charge* | <u>\$ 70.00</u> | <u>\$</u> | <u>21.00</u> |
| Current Rate | \$35.00 | | |

| Connection / Turn-on Charge After Hrs. | | | |
|----------------------------------------|------------------------|----------------------|--------------|
| | Utility Revised Charge | Staff Revised Charge | |
| Field Materials | \$ - | \$ | - |
| Field Labor (2hrs \$24.75/hr) | \$ 49.50 | \$ | 49.50 |
| Office Supplies | \$ - | \$ | - |
| Office Labor | \$ 16.00 | \$ | - |
| Transportation | \$ 21.00 | \$ | 21.00 |
| Misc. | \$ - | \$ | - |
| Total Revised Charge* | <u>\$ 86.50</u> | <u>\$</u> | <u>71.00</u> |
| Current Rate | \$80.00 | | |

| Reconnection Fee | | | |
|-------------------------------|------------------------|----------------------|--------------|
| | Utility Revised Charge | Staff Revised Charge | |
| Field Materials | \$ - | \$ | - |
| Field Labor (2hrs \$16.50/hr) | \$ 33.00 | \$ | - |
| Office Supplies | \$ - | \$ | - |
| Office Labor | \$ 16.00 | \$ | - |
| Transportation | \$ 42.00 | \$ | 42.00 |
| Misc. | \$ - | \$ | - |
| Total Revised Charge* | <u>\$ 91.00</u> | <u>\$</u> | <u>42.00</u> |
| Current Rate | \$50.00 | | |

| Reconnection Fee After Hrs. | | | |
|-------------------------------|------------------------|----------------------|--|
| | Utility Revised Charge | Staff Revised Charge | |
| Field Materials | \$ - | \$ - | |
| Field Labor (2hrs \$24.75/hr) | \$ 49.50 | \$ 49.50 | |
| Office Supplies | \$ - | \$ - | |
| Office Labor | \$ 16.00 | \$ - | |
| Transportation | \$ 42.00 | \$ 42.00 | |
| Misc. | \$ - | \$ - | |
| Total Revised Charge* | \$ 107.50 | \$ 92.00 | |
| Current Rate | \$90.00 | | |

| Field Collection Charge | | | |
|-------------------------------|------------------------|----------------------|--|
| | Utility Revised Charge | Staff Revised Charge | |
| Field Materials | \$ - | \$ - | |
| Field Labor (2hrs \$16.50/hr) | \$ 33.00 | \$ - | |
| Office Supplies | \$ - | \$ - | |
| Office Labor | \$ 16.00 | \$ - | |
| Transportation | \$ 21.00 | \$ 21.00 | |
| Misc. | \$ - | \$ - | |
| Total Revised Charge* | \$ 70.00 | \$ 21.00 | |
| Current Rate | \$35.00 | | |

| Meter Reading Re-Check | | | |
|-------------------------------|------------------------|----------------------|--|
| | Utility Revised Charge | Staff Revised Charge | |
| Field Materials | \$ - | \$ - | |
| Field Labor (2hrs \$16.50/hr) | \$ 33.00 | \$ - | |
| Office Supplies | \$ - | \$ - | |
| Office Labor | \$ 16.00 | \$ - | |
| Transportation | \$ 21.00 | \$ 21.00 | |
| Misc. | \$ - | \$ - | |
| Total Revised Charge* | \$ 70.00 | \$ 21.00 | |
| Current Rate | \$35.00 | | |

| Meter Test Request | | | |
|-----------------------------------------------|------------------------|----------------------|--|
| | Utility Revised Charge | Staff Revised Charge | |
| Field Materials | \$ - | \$ - | |
| Field Labor (1hr \$20/hr and 2hrs \$16.50/hr) | \$ 53.00 | \$ - | |
| Office Supplies | \$ - | \$ - | |
| Office Labor | \$ 16.00 | \$ - | |
| Transportation | \$ 42.00 | \$ 42.00 | |
| Misc. | \$ - | \$ - | |
| Total Revised Charge* | \$ 111.00 | \$ 42.00 | |
| Current Rate | \$80.00 | | |

| Service Call / Investigation | | | |
|-------------------------------|------------------------|----------------------|--|
| | Utility Revised Charge | Staff Revised Charge | |
| Field Materials | \$ - | \$ - | |
| Field Labor (2hrs \$16.50/hr) | \$ 33.00 | \$ - | |
| Office Supplies | \$ - | \$ - | |
| Office Labor | \$ 16.00 | \$ - | |
| Transportation | \$ 21.00 | \$ 21.00 | |
| Misc. | \$ - | \$ - | |
| Total Revised Charge* | <u>\$ 70.00</u> | <u>\$ 21.00</u> | |
| Current Rate | \$35.00 | | |

| Service Call / Investigation After Hrs. | | | |
|-----------------------------------------|------------------------|----------------------|--|
| | Utility Revised Charge | Staff Revised Charge | |
| Field Materials | \$ - | \$ - | |
| Field Labor (2hrs \$24.75/hr) | \$ 49.50 | \$ 49.50 | |
| Office Supplies | \$ - | \$ - | |
| Office Labor | \$ 16.00 | \$ - | |
| Transportation | \$ 21.00 | \$ 21.00 | |
| Misc. | \$ - | \$ - | |
| Total Revised Charge* | <u>\$ 86.50</u> | <u>\$ 71.00</u> | |
| Current Rate | \$80.00 | | |

| Returned Check Charge | | | |
|-----------------------|------------------------|----------------------|--|
| | Utility Revised Charge | Staff Revised Charge | |
| Field Materials | \$ - | \$ - | |
| Field Labor | \$ - | \$ - | |
| Office Supplies | \$ - | \$ - | |
| Office Labor | \$ 22.57 | \$ - | |
| Transportation | \$ - | \$ - | |
| Misc. (Bank Charge) | \$ 15.00 | \$ 15.00 | |
| Total Revised Charge* | <u>\$ 37.57</u> | <u>\$ 15.00</u> | |
| Current Rate | \$25.00 | | |

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00278 DATED JUL 14 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 Crittenden-Livingston County Water District. All other rates and charges not specifically mentioned herein shall remain the same.

Monthly Water Rates

5/8- x 3/4-Inch Meter

| | | | | |
|-------|--------|---------|----------|--------------|
| First | 1,000 | Gallons | \$ 27.89 | Minimum Bill |
| Next | 9,000 | Gallons | 0.01587 | Per Gallon |
| Next | 10,000 | Gallons | 0.01359 | Per Gallon |
| Over | 20,000 | Gallons | 0.01073 | Per Gallon |

1-Inch Meter

| | | | | |
|-------|--------|---------|----------|--------------|
| First | 5,000 | Gallons | \$ 91.41 | Minimum Bill |
| Next | 5,000 | Gallons | 0.01587 | Per Gallon |
| Next | 10,000 | Gallons | 0.01359 | Per Gallon |
| Over | 20,000 | Gallons | 0.01073 | Per Gallon |

2-Inch Meter

| | | | | |
|-------|--------|---------|-----------|--------------|
| First | 15,000 | Gallons | \$ 238.76 | Minimum Bill |
| Next | 5,000 | Gallons | 0.01359 | Per Gallon |
| Over | 20,000 | Gallons | 0.01073 | Per Gallon |

3-Inch Meter

| | | | | |
|-------|--------|---------|-----------|--------------|
| First | 50,000 | Gallons | \$ 628.61 | Minimum Bill |
| Over | 50,000 | Gallons | 0.01073 | Per Gallon |

4-Inch Meter

| | | | | |
|-------|--------|---------|-----------|--------------|
| First | 75,000 | Gallons | \$ 896.93 | Minimum Bill |
| Over | 75,000 | Gallons | 0.01073 | Per Gallon |

Bulk Sales

\$ 0.01073 Per Gallon

Wholesale Rate

\$ 0.00377 Per Gallon

METER CONNECTION / TAP-ON CHARGES

| | | |
|-----------------------|----|----------|
| 5/8- x 3/4-Inch Meter | \$ | 1,950.00 |
| 1-Inch Meter | \$ | 2,364.00 |

| Nonrecurring Charges | Revised Charge |
|-----------------------------------------|-------------------|
| Connection / Turn-on Charge | \$ 21.00 |
| Connection / Turn-on Charge After Hrs. | \$ 71.00 |
| Reconnection Fee | \$ 42.00 |
| Reconnection Fee After Hrs. | \$ 92.00 |
| Field Collection Charge | \$ 21.00 |
| Meter Relocation Charge | Actual Cost |
| Meter Reading Re-Check | \$ 21.00 |
| Meter Test Request | \$ 42.00 |
| Broken Meter Lock Fee | Actual Cost |
| Meter Valve Replacement Fee | Actual Cost |
| Meter Box Replacement Fee | Actual Cost |
| Meter Box Top Replacement Fee | Actual Cost |
| Service Call / Investigation | \$ 21.00 |
| Service Call / Investigation After Hrs. | \$ 71.00 |
| Returned Check Charge | \$ 15.00 |

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