

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WOOD CREEK)	CASE NO.
WATER DISTRICT FOR A RATE ADJUSTMENT)	2024-00242
PURSUANT TO 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 October 16, 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 October 16, 2024, Order, Wood Creek Water District (Wood Creek 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 Wood Creek District to the Commission's July 22, 2021, Order in Case No. 2020-00085¹ regarding filings with the Commission.



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

DATED JAN 23 2025

cc: Parties of Record

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).

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WOOD CREEK)	CASE NO.
WATER DISTRICT FOR A RATE ADJUSTMENT)	2024-00242
PURSUANT TO 807 KAR 5:076)	

COMMISSION STAFF'S REPORT
ON WOOD CREEK WATER DISTRICT WASTEWATER DIVISION

Wood Creek Water District Wastewater Division (Wood Creek District) is a water and sewer utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water service to approximately 4,923 residential customers and 384 commercial customers that reside in Laurel County, Kentucky.¹ Wood Creek District's Sewer division owns and operates sewage facilities in Laurel County, Kentucky, that serve approximately 1,270 residential customers and 179 commercial customers.²

On September 27, 2024,³ Wood Creek District filed its application with the Commission requesting an adjustment to its sewer service rates pursuant to 807 KAR

¹ *Annual Report of Wood Creek Water District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report), at 49 and 12.

² *Annual Report of Wood Creek Water District Wastewater Division to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Wastewater Annual Report), at 25 and 9.

³ Wood Creek District tendered its application on July 31, 2024. By letter dated August 9, 2024, the Commission rejected the application for filing deficiencies. Wood Creek District tendered its second application on September 13, 2024. By letter dated September 18, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on September 27, 2024.

5:076. To comply with the requirements of 807 KAR 5:076, Section 9,⁴ Wood Creek District 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. 2023-00110 that required Wood Creek District to file an application for an adjustment of its base rates by July 31, 2024.⁵ Wood Creek District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2013-00170.⁶ Since that matter, Wood Creek District has only adjusted its rates pursuant to a treated sewer adjustment. To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated October 16, 2024.⁷

Wood Creek District responded to two requests for information from Commission Staff.⁸

DISCUSSION

Using its pro forma test-year operations, Wood Creek District determined that a base rate revenue increase of \$106,921, or 8.43 percent, was necessary to achieve the revenue requirement as shown in the table below.⁹

⁴ 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.

⁵ Case No 2023-00110, *Electronic Treated Sewage Adjustment Filing of Wood Creek Water District* (Ky. PSC Apr. 28, 2023), at 5, ordering paragraph 6.

⁶ Case No. 2013-00170, *Application of Wood Creek Water District Wastewater Division* (Ky. PSC Nov. 12, 2013).

⁷ Procedural Schedule (Ky. PSC Oct. 16, 2024).

⁸ Wood Creek District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Nov. 18, 2024). Wood Creek District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Dec. 16, 2024).

⁹ Application, Attachment 4, 4b_Revenue_Requirement_Calculation.pdf.

Description	Wood Creek District
Pro Forma Operating Expenses	\$1,350,871
Average Annual Principal and Interest Payments	36,998
Additional Working Capital	3,700
Total Revenue Requirement	1,391,569
Other Revenue ()	(15,953)
Revenue Required From Water Sales	1,375,616
Less: Revenue from Sales at Present Rates ()	(1,268,695)
Required Revenue Increase / (Decrease)	<u>\$ 106,921</u>
Percentage Increase / (Decrease)	<u>8.43%</u>

To determine the reasonableness of the rates requested by Wood Creek District, Commission Staff performed a limited review of Wood Creek 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 measurable¹⁰ 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 Wood Creek District’s Overall Revenue Requirement,

¹⁰ 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).

and Elizabeth Stefanski reviewed Wood Creek District's reported revenues and rate design.

SUMMARY OF RECOMMENDATIONS

By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Commission Staff found that Wood Creek District's required revenue from wastewater rates is \$1,290,790 to meet the Overall Revenue Requirement of \$1,306,723 and that a \$22,095 revenue increase, or 1.74 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

1. Monthly Wastewater Service Rates. Wood Creek District proposed to increase all of its monthly retail wastewater service rates evenly across the board by approximately 8.43 percent, in its application. Wood Creek District stated that a cost-of-service study (COSS) has not been performed since the inception of the Wastewater Division.¹¹ Wood Creek Division explained that because no material changes had occurred to customer usage patterns, a COSS had not been considered, but that if usage pattern changes occur in the future, a COSS would be considered at that time.¹²

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.¹³ Finding no such evidence in this case, Commission Staff

¹¹ Wood Creek District's Response to Staff's First Request, Item 16.

¹² Wood Creek District's Response to Staff's First Request, Item 16a-c.

¹³ 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.*

followed the proposed allocation methodology of Wood Creek District and allocated Commission Staff's revenue increase of \$22,095 across the board to Wood Creek District's monthly retail wastewater service rates.

The recommended rates set forth in the Appendix to this report are based upon the revenue requirement, as calculated by Commission Staff, and will produce sufficient revenues from wastewater sales to recover the \$1,290,790 Revenue Required from Wastewater Sales, an approximate 1.74 percent increase. These rates will increase a typical residential customer's monthly water bill, using approximately 4,000 gallons per month, from \$43.33 to \$44.08, an increase of \$0.75 or approximately 1.73 percent.¹⁴

2. Sewer Grinder Pump Tap Fees. Wood Creek District's current tariff, dated 2001, for the "Tap on" fees for the Wastewater Division is \$2,500.¹⁵ Wood Creek District provided updated cost justification information for the Tap fee on a sewer grinder pump, which increased by \$2,870 from \$2,500 to \$5,370,¹⁶ which is a significant increase since the current tariff amount was approved by the Commission. Wood Creek District did not propose an increase to the Tap Fees. However, Commission Staff recommends the Commission increase the Tap Fee to reflect current costs that have increased significantly from the 2001 tariff amount.

for a Rate Adjustment Pursuant to 807 KAR 5:076 (Ky. PSC May 3, 2024); and Case No. 2021-00218, Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment (Ky. PSC Jan. 5, 2022).

¹⁴ Revised Customer Notice, (filed Sept. 27, 2024), 1_Customer_Notice-Retail.pdf, the typical residential customer uses approximately 4,000 gallons per month.

¹⁵ P.S.C. Ky. Original, Sheet No. 2 (issued Jul. 12, 2001), effective Aug. 13, 2001.

¹⁶ Wood Creek District's Response to Commission Staff's First Request, Item 22._-Tap_Fee_Justification.pdf.

PRO FORMA OPERATING STATEMENT

Wood Creek District's Pro Forma Operating Statement for the test year ended December 31, 2023, as determined by Commission Staff appears in the table below.

Description	Test Year	Wood Creek District Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	(Ref)	Pro Forma
Operating Revenues						
Sewage Service Revenues	\$ 1,172,658	\$ 96,037	\$ -	\$ 96,037	(A)	\$ 1,268,695
Miscellaneous Operating Revenues - Late Fees	15,953	-	-	-		15,953
Total Operating Revenues	1,188,611	96,037	-	96,037		1,284,648
Operation, Maintenance and Admin Expenses						
<i>Operation Expenses</i>						
Fuel/ Power Purchased for Pumping and Treatment	27,923	-	-	-		27,923
Chemicals	13,242	-	-	-		13,242
Miscellaneous Supplies and Expenses - Collection System	717	-	-	-		717
<i>Maintenance Expenses</i>						
Maintenance of Collection Sewer System	52,169	-	-	-		52,169
Maintenance of Pumping System	341,079	-	-	-		341,079
Maintenance of Other Plant and Facilities	13,791	-	-	-		13,791
<i>Administrative and General Expenses</i>						
Administrative and General Salaries	26,603	-	(4,800)	(4,800)	(B)	21,803
Outside Services Employed	533,649	-	8,120	8,120	(C)	541,769
Total Sewer Operation and Maintenance Expenses	1,009,173	-	3,320	3,320		1,012,493
Depreciation Expense	257,855	83,843	(91,822)	(7,979)	(D)	249,876
Total Operating Expenses	1,267,028	83,843	(88,502)	(4,659)		1,262,369
Net Operating Income	(78,417)	12,194	88,502	100,696		22,279
<i>Other Income & Deductions</i>						
Interest and Dividend Income	20	-	-	-		20
Interest on Long-Term Debt	(22,825)	-	-	-		(22,825)
Income Available to Service Debt	\$ (101,222)	\$ 12,194	\$ 88,502	\$ 100,696		\$ (526)

(A) Billing Analysis. Wood Creek District proposed an increase to Wastewater Revenues of \$96,037,¹⁷ to normalize the current billing analysis.¹⁸ On April 18, 2023, Wood Creek District was authorized for a treated sewer adjustment of \$1.074 per 1,000 gallons for service provided on or after May 29, 2023, which resulted in an increase in

¹⁷ Wood Creek District's Response to Staff's First Request, Item 1d, Revised_Attachment_4_-_Schedule_of_Adjusted_Operations_-_Sewer.pdf.

¹⁸ Wood Creek District's Response to Staff's First Request, Item 1d, Revised_Attachment_4_-_Schedule_of_Adjusted_Operations_-_Sewer.pdf.

cost of approximately \$123,836.¹⁹ Approximately \$52,638²⁰ is not reflected in the test year and is a component of the \$96,037 adjustment. Wood Creek District reported total wastewater sales in its annual report for the test year of \$1,172,658.²¹ Wood Creek District provided a billing analysis to calculate a normalized revenue amount of \$1,268,695, based on the usage during the test year and using the rates authorized in the current tariff.²² Commission Staff verified the billing analysis and recommends Commission approval of the adjustment to increase Wastewater Revenues by \$96,037, because it meets the ratemaking criteria of being known and measurable.

(B) Administrative and General Salaries. Wood Creek District's Board of Commissioners is composed of three members²³ who are each authorized to receive a salary of \$6,000 annually.²⁴ However, when asked for the training records, Wood Creek District responded that 2023 training records are not available because training was not obtained for Charlie Keller and Glen Williams.²⁵ Commissioner Lewis's training record

¹⁹ Case No. 2023-00110, *Electronic Treated Sewage Adjustment Filing of Wood Creek Water District* (Ky. PSC Apr. 28, 2023), final Order at 5.

²⁰ 50,613,000 gallons used from January 2023 through May 2023. \$3.98/1,000 gallons (current rate) times 50,613,000 gallons = \$201,439.74. \$2.94/1,000 gallons (rate in effect) times 50,613,000 gallons = \$148,802.22. \$201,439.74 less \$148,802.22 equals \$52,637.52 rate difference.

²¹ 2023 Annual Report at 25.

²² Wood Creek District's Response to Staff's First Request, Item 18, Revised Billing Analysis, 18._- _Revised_Billing_Analysis.xlsx.

²³ Wood Creek District's Response to Staff's First Request, Item 11, 11._- _Commissioners_Information.pdf.

²⁴ Wood Creek District's Response to Staff's First Request, Item 11, 11._- _Commissioners_Information.pdf.

²⁵ Wood Creek District's Response to Staff's Second Request, Item 3a.

for 2024 was provided; therefore, he was authorized to receive \$6,000.²⁶ KRS 74.020(6) states:

Each commissioner shall receive an annual salary of not more than thirty-six hundred dollars (\$3,600), which shall be paid out of the water district fund, except that beginning January 1, 1999, and subject to subsection (9) of this section, each commissioner who completes during an educational year a minimum of six (6) instructional hours of water district management training approved by the Public Service Commission may receive an annual salary of not more than six thousand dollars (\$6,000) to be paid out of the water district fund. An educational year shall begin on January 1 and end on the following December 31.²⁷

Since two members of the Board of Commissioners have not completed the required annual training, those members are entitled to only \$3,600 annual compensation for 2023. Commission Staff reduced Administrative and General Salaries by \$4,800, as shown in the following table.

Commissioners	Pro Forma Salaries
Charlie Keller	\$ 3,600
Glen Williams	3,600
James Lewis	6,000
Total Commissioner Compensation	13,200
Less: Test Year Commissioner Compensation ()	(18,000)
Commission Staff's Proposed Adjustment	<u>\$ (4,800)</u>

Commission Staff recommends the Commission accept Commission Staff's \$4,800 decrease to Administrative and General Salaries because KRS 74.020 does not allow compensation greater than \$3,600 per commissioner without the required training.

²⁶ Wood Creek District's Response to Staff's First Request, Item 12, 12_-_Commissioners_Training.pdf.

²⁷ KRS 74.020(6).

(C) Outside Services Employed. During the test year, Wood Creek District reported that \$533,649²⁸ was paid to London Utility Commission for the treatment of sewage. Wood Creek District provided the current rate charged by the London Utility Commission,²⁹ as well as the monthly gallons treated throughout the test year.³⁰ Commission Staff calculated Outside Services Employed using the test-year gallons purchased and the current rates resulting in a pro forma expense of \$541,769.

Commission Staff calculated an increase to Outside Services Employed of \$8,120, as shown in the following table by Wood Creek District.

Month	Gallons Treated	Cost per Gallon	Pro Forma
January	9,851,200	0.00398	39,208
February	9,780,300	0.00398	38,926
March	9,581,200	0.00398	38,133
April	10,899,400	0.00398	43,380
May	10,500,900	0.00398	41,794
June	13,707,500	0.00398	54,556
July	14,828,500	0.00398	59,017
August	16,137,100	0.00398	64,226
September	12,492,900	0.00398	49,722
October	11,919,400	0.00398	47,439
November	8,442,900	0.00398	33,603
December	7,981,500	0.00398	31,766
Total	<u>136,122,800</u>		541,769
Less: Test Year Contractual Services ()			(533,649)
Commission Staff's Proposed Adjustment			<u>\$ 8,120</u>

²⁸ Application, Exhibit 4, 4a_Attachment_4_Sewer_Operations+and_Maintenance.pdf.

²⁹ Wood Creek District's Response to Staff's Second Request, Item 1, 1._Monthly_Test_Year_Data.pdf.

³⁰ Wood Creek District's Response to Staff's Second Request, Item 1, 1._Monthly_Test_Year_Data.pdf.

Commission Staff recommends the Commission accept Commission Staff's \$8,120 increase to Outside Services Employed to reflect the normalization of sewage treatment expense during the test year at current rates charged.

(D) Depreciation Expense. In its application, Wood Creek District proposed an adjustment to increase Depreciation Expense by \$83,843³¹ to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Utilities* (NARUC Study).³² To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same NARUC study. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant.³³ Commission Staff agrees with Wood Creek District's methodology to adjust depreciation expense. However, Commission Staff's calculation differed from Wood Creek District's in two subcategories: Pumping Equipment and Services.

For the two subcategories of Pumping Equipment and Services, Wood Creek District determined the depreciation expense by taking the entire categories book cost

³¹ Application, Attachment 4, 4_Attachment_4_Scheduled_of_Adjusted_Operations_-_Sewer.pdf, Schedule of Adjusted Operations – Sewer Utility, Adjustment C.

³² Application, Attachment 4, 4_Attachment_4_Scheduled_of_Adjusted_Operations_-_Sewer.pdf, Schedule of Adjusted Operations – Sewer Utility, References, Adjustment C.

³³ 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.

and dividing it by the NARUC suggested service life midpoint.³⁴ Commission Staff reviewed each capital asset and calculated the pro forma depreciation by assigning a remaining useful life based on the NARUC suggested midpoint for assets not yet fully depreciated. For assets that reached the end of their depreciation period during the test year, the partial year's expense was included. Commission Staff determined Wood Creek District's calculation included several capital assets that were already fully depreciated. Commission Staff did not include the assets in its calculation.

Commission Staff calculated a Depreciation Expense of \$253,150, as shown in the following table, which is \$7,979 less than the reported test year amount of \$261,129 and \$91,822 less than Wood Creek District's proposed \$83,843 increase to Depreciation Expense.

Asset Class	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Collection Systems	25 - 50	\$ 123,611	\$ 8,339	\$ 131,950
Pumping Equipment	20	76,113	11,250	87,363
Services	30 - 50	55,649	(25,192)	30,457
Communication Equipment	10	1,997	(998)	999
Collecting & Impounding Reservoirs	25 - 35	3,759	(1,378)	2,381
Total		<u>\$ 261,129</u>	<u>(7,979)</u>	<u>\$ 253,150</u>
Less: Wood Creek Water's Proposed Adjustment			(83,843)	
Commission Staff's Proposed Adjustment			<u>\$ (91,822)</u>	

Commission Staff recommends the Commission accept Commission Staff's \$7,979 decrease to Depreciation Expense to reflect the annualization of Depreciation expense at the recommended NARUC midpoint service lives for non-fully depreciated assets.

³⁴ Wood Creek District's Response to Staff's Second Request, Item 7a, 7a._-Table_A-Depreciationb_Adjustment.xlsx.

OVERALL REVENUE REQUIREMENT AND
REQUIRED REVENUE INCREASE

The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations. 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;³⁵ (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	Wood Creek District	Commission Staff
Pro Forma Operating Expenses	\$1,350,871	1,262,369
Average Annual Principal and Interest Payments	36,998	36,962
Additional Working Capital	3,700	7,392
Total Revenue Requirement	1,391,569	1,306,723
Other Revenue ()	(15,953)	(15,953)
Interest Income ()	-	20
Revenue Required From Water Sales	1,375,616	1,290,790
Less: Revenue from Sales at Present Rates ()	(1,268,695)	(1,268,695)
Required Revenue Increase / (Decrease)	<u>\$ 106,921</u>	<u>22,095</u>
Percentage Increase / (Decrease)	<u>8.43%</u>	<u>1.74%</u>

³⁵ 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).

1. Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Wood Creek District had one bond with the United States Department of Agriculture (USDA) Rural Development (RD).³⁶ In its application, Wood Creek District requested recovery of the average annual principal and interest on its indebtedness based on an average of the annual principal, and interest and fee payments for five years from 2023 thru 2027.³⁷ Commission Staff does not agree with using the 2023 and 2024 principal and interest payments in the calculation, because the 2023 and 2024 debt service payments will be recovered through Wood Creek District's existing rates. Therefore, only the debt service payments that will be made after the new rates are placed into effect should be considered in determining Wood Creek District's Annual Principal and Interest Expense. Commission Staff calculated the average annual principal and interest on a five-year average for the years 2025 through 2029. As shown in the following table, Commission Staff calculated an Average Principal and Interest expense of \$36,962.

³⁶ Case 2018-00066, *Application of Wood Creek Water District for a Certificate of Public Convenience and Necessity to Construct a Sewer Improvement Project and an Order Authorizing the Issuance of Securities and Increase Rates Pursuant to KRS 278.023*, (Mar. 16, 2018).

³⁷ Wood Creek District's Response to Staff's First Request, Item 7, 7b._Table_b_Debt_Service.xlsx.

Year	RD Series 2001A		Total
	Principal	Interest	
2025	\$ 15,000	\$ 22,206	\$ 37,206
2026	15,000	21,794	36,794
2027	15,500	21,374	36,874
2028	16,000	20,941	36,941
2029	16,500	20,494	36,994
Total	<u>\$ 78,000</u>	<u>\$ 106,810</u>	184,810
Divided by: 5 Years			5
Average Annual Principal and Interest Payments			<u>\$ 36,962</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 minimum net revenues required by a district's lenders that are above its average annual debt payments. In its application, Wood Creek District requested recovery of an allowance for working capital that is equal to 110 percent of its average annual principal and debt payments at the time of its application for a total of \$3,700.³⁸

Following the Commission's historic practice,³⁹ Commission Staff disagrees with Wood Creek District's methodology of including 110 percent of its average annual principal and debt payments at the time of its application. Commission Staff instead calculated 120 percent of average annual principal and debt payments. Therefore, with the adjustment to the average Annual Principal and Interest Payments, \$7,392 should be included in the revenue requirement as shown in the following table.

³⁸ Application, Attachment 4, 4b_Revenue_Requirement_Calculation.pdf, Revenue Requirements Table.

³⁹ 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).

Average Annual Principal and Interest	\$	36,962
Times: DSC Coverage Ratio		120%
Total Net Revenues Required		<u>44,354</u>
Less: Average Annual Principal and Interest Payments		<u>(36,962)</u>
Additional Working Capital	\$	<u><u>7,392</u></u>

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Signatures

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

/s/ Elizabeth Stefanski
Prepared by: Elizabeth Stefanski
Rate Design Branch
Division of Financial Analysis

APPENDIX

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00242 DATED JAN 23 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 Wood Creek District. All other rates and charges not specifically mentioned herein shall remain the same.

Monthly Rates

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$28.49	Minimum Bill
Next	1,500 Gallons	0.01062	Per Gallon
Next	1,500 Gallons	0.00993	Per Gallon
Next	2,500 Gallons	0.00901	Per Gallon
Over	7,500 Gallons	0.00800	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$59.35	Minimum Bill
Next	2,500 Gallons	0.00901	Per Gallon
Over	7,500 Gallons	0.00800	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$181.88	Minimum Bill
Over	20,000 Gallons	0.00800	Per Gallon

3-Inch Meter

First	30,000 Gallons	\$261.85	Minimum Bill
Over	30,000 Gallons	0.00800	Per Gallon

6-Inch Meter

First	100,000 Gallons	\$821.74	Minimum Bill
Over	100,000 Gallons	0.00800	Per Gallon

"Tap on" Fees

Standard Residential (Single Family)	\$5,370.00
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