

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of January 16, 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 January 16, 2025, Order, as amended by the Commission's April 16, 2025, Order, Dexter-Almo Heights Water District (Dexter-Almo Heights 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 Dexter-Almo Heights District to the Commission's July 22, 2021, Order in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission.

---

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

DATED     MAY 20 2025      
cc: Parties of Record

---

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

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S REPORT  
ON DEXTER-ALMO HEIGHTS WATER DISTRICT

Dexter-Almo Heights Water District (Dexter-Almo Heights District) is a water utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system which provides retail water service to approximately 840 residential customers and 36 commercial customers that reside in Calloway County, Kentucky.<sup>1</sup>

On December 2, 2024,<sup>2</sup> Dexter-Almo Heights District filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,<sup>3</sup> Dexter-Almo Heights District used the calendar year ended December 31, 2023, as the basis for its

---

<sup>1</sup> *Annual Report of Dexter-Almo Heights District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 12 and 49.

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

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

application. Dexter-Almo Heights District's last base rate increase was also filed pursuant to the alternative rate adjustment procedure in Case No. 2019-00354.<sup>4</sup>

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated January 16, 2025, as amended by Order dated April 16, 2025. Dexter-Almo Heights District responded to three requests for information, with the responses to Commission Staff's First and Second Request for Information being tendered one day late.<sup>5</sup>

### UNACCOUNTED-FOR WATER LOSS

Dexter-Almo Heights District purchases all of its water from Murray Water System.<sup>6</sup> The Commission notes that, in its 2023 Annual Report, Dexter-Almo Heights District reported a water loss of 8.8153 percent.<sup>7</sup> Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes, a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. The table below shows that the 2023 total annual cost of water loss to Dexter-Almo Heights District is \$13,764, while the annual cost of water loss in excess of 15 percent is \$0.

---

<sup>4</sup> See Case No. 2019-00354, *Electronic Application of Dexter-Almo Heights Water District for an Adjustment of Rates Pursuant to 807 KAR 5:076*.

<sup>5</sup> Dexter-Almo Heights District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Feb. 21, 2025); Dexter-Almo Heights District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Mar. 21, 2025); Dexter-Almo Heights District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Apr. 30, 2025).

<sup>6</sup> 2023 Annual Report at 54.

<sup>7</sup> 2023 Annual Report at 57.

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

### DISCUSSION

Using its pro forma test-year operations, Dexter-Almo Heights District determined that a base rate revenue increase of \$74,136, or 18.13 percent, was necessary to achieve the \$483,049 revenue requirement using the debt coverage ratio method as shown in the table below.<sup>8</sup>

Description	Dexter-Almo Heights
Pro Forma Operating Expenses	\$ 465,402
Average Annual Principal and Interest Payments	14,635
Additional Working Capital at 20%	1,464
Total Revenue Requirement	<u>481,501</u>
Other Revenue ( )	(1,548)
Interest Income ( )	-
Revenue Required From Water Sales	<u>483,049</u>
Revenue from Sales at Present Rates ( )	(408,913)
Required Revenue Increase / (Decrease)	<u><u>\$ 74,136</u></u>
Percentage Increase / (Decrease)	<u><u>18.13%</u></u>

Commission Staff determined that Dexter-Almo Heights District's application revenue requirement calculation contained an error with Other Revenues, in the amount \$1,548. The Other Revenue was added to the revenue requirement when it should have been subtracted, resulting in a revenue requirement that was overstated by \$3,096. The corrected Revenue Requirement inclusive of the correction determined that a base rate

---

<sup>8</sup>Application, ARF-Revenue\_Requirements\_-\_Dexter\_Almo.pdf.

increase of \$71,040, or 18.13 percent, was necessary to achieve the \$479,953 revenue requirement using the debt coverage ratio method as shown below.

Description	Dexter-Almo Heights
Pro Forma Operating Expenses	\$ 465,402
Average Annual Principal and Interest Payments	14,635
Additional Working Capital at 20%	1,464
Total Revenue Requirement	481,501
Other Revenue ( )	(1,548)
Interest Income ( )	-
Revenue Required From Water Sales	479,953
Revenue from Sales at Present Rates ( )	(408,913)
Required Revenue Increase / (Decrease)	\$ 71,040
Percentage Increase / (Decrease)	17.37%

To determine the reasonableness of the rates requested by Dexter-Almo Heights District, Commission Staff performed a limited financial review of Dexter-Almo Heights 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 measurable<sup>9</sup> changes to test-year operations were identified, and adjustments were made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

---

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

Commission Staff's recommendations are summarized in this report. William Pearce reviewed the calculation of Dexter-Almo Heights District's Overall Revenue Requirement and Manuel Jerez Tamayo reviewed Dexter-Almo Heights District's reported revenues and rate design.

### SUMMARY OF FINDINGS

Overall Revenue Requirement and Required Revenue Increase. Commission Staff determined that the Operating Ratio was more suitable than the Debt Service Coverage method to provide Dexter-Almo Heights District sufficient working capital to maintain financial stability. By applying the Operating Ratio (OR) method, as generally accepted by the Commission, Commission Staff found that Dexter-Almo Heights District's required revenue from water sales is \$509,526 to meet the Overall Revenue Requirement of \$517,214 and that a \$114,009 revenue increase, or 28.83 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement. Commission Staff determined that the Operating Ratio method was more suitable than the Debt Service Coverage method because using the Operating Ratio would provide Dexter-Almo Heights District approximately \$62,000 more in additional working capital than the Debt Service Coverage method due to Dexter-Almo Heights District not having any debt payments after 2024.<sup>10</sup>

Monthly Water Service Rates. In its application, Dexter-Almo Heights District proposed to increase its monthly water service rates by 18.13 percent, or 17.37 percent as adjusted by Commission Staff to correct the calculation as discussed above, to all its

---

<sup>10</sup> Dexter-Almo Heights District's 2023 Audit, Note 6 – Notes Payable, at 17.

water customers evenly across the board.<sup>11</sup> Dexter-Almo Heights District stated that it did not know the last time it performed a cost-of-service study (COSS) and that no decision has been made to complete a new one.<sup>12</sup> The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility's rate design is appropriate when no evidence is entered into the record demonstrating that this method is unreasonable and in the absence of a COSS.<sup>13</sup> Finding no such evidence in this case, Commission Staff allocated its recommended \$114,009 revenue increase evenly across Dexter-Almo Heights District's monthly retail water service rates.

The rates recommended in Appendix B to this report are based upon the revenue requirement, as calculated by Commission Staff, and will produce sufficient revenues from water sales to recover the \$509,526 revenue required from rates, an approximate 28.83 percent increase. The monthly water bill for a typical residential customer using approximately 3,790 gallons per month<sup>14</sup> will increase \$10.11 from \$35.08 to \$45.19, or approximately 28.82 percent.

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

---

<sup>11</sup> Application, Dexter\_Almo\_Legal\_Notice.pdf, Legal Notice (filed Dec. 2, 2024).

<sup>12</sup> Dexter-Almo Heights District's Response to Staff's First Request, Items 15a–15c.

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

<sup>14</sup> Case No. 2019-00354, *Electronic Application of Dexter-Almo Heights Water District for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC May. 21, 2020), final Order at 1 (The average retail customer uses 3,790 gallons per month).

eliminated from the charges.<sup>15</sup> Dexter-Almo Heights District provided updated cost justification information for the Nonrecurring Charges<sup>16</sup> and stated that there were no Nonrecurring Charges, other than late fees, recorded during the test year.<sup>17</sup>

Dexter-Almo Heights District further stated the reason that no Nonrecurring Charges were recorded was due to an issue between field and office staff and would work to correct the problem by implementing a new work order process. Dexter-Almo Heights District also stated that the board of directors has counseled staff on the importance of maintaining a work order process.<sup>18</sup> Commission Staff recommends that the Commission remind Dexter-Almo Heights District that it is obligated to follow the rules and regulations outlined in its tariff and could be subject to an investigation if they are not followed in the future.

Commission Staff reviewed the cost justification information provided by Dexter-Almo Heights District and adjusted these charges by removing the Field Labor Costs and the Office/Clerical Labor Costs from those charges that occur during regular business hours. Commission Staff also removed the Office/Clerical Labor Costs from the After-Hours Reconnection Charge, as office labor is typically performed during regular business

---

<sup>15</sup> Case No. 2023-00299, *Electronic Application of Magoffin County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 24, 2024); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 5, 2024); Case No. 2023-00258, *Electronic Application of Kirksville Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00220, *Electronic Application of East Casey County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 21, 2024).

<sup>16</sup> Dexter-Almo Heights District's Response to Staff's Second Request, Item 6. Files were submitted March 26, 2025.

<sup>17</sup> Dexter-Almo Heights District's Response to Staff's Second Request, Item 5a.

<sup>18</sup> Dexter-Almo Heights District's Response to Staff's Second Request, Item 5a.



hours. The Meter Re-Read Charge, Meter Test Charge, and Service Call Charge received increases of \$0.50, \$3.00, and \$0.50, respectively. These increases were supported by the cost justification provided<sup>19</sup> and are due to the rise in the cost of transportation expenses.

Commission Staff recommends that the Commission accept Dexter-Alamo Heights District's proposed adjustments for the charges mentioned above, as Dexter-Almo Heights District supported these in the cost justification provided,<sup>20</sup> and the amounts meet the ratemaking criteria of being known and measurable. The cost justification information, shown in Appendix A, was provided by Dexter-Almo Heights District and supports Commission Staff's adjustments to the Nonrecurring Charges. The adjustments discussed above result in the following revised Nonrecurring Charges:

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

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

---

<sup>19</sup> Dexter-Almo Heights District's Response to Staff's Second Request, Item 6. Meter\_Re-read\_Charge.pdf, Meter\_Test\_Charge.pdf, and Service\_Call.pdf (filed March 26, 2025).

<sup>20</sup> Dexter-Almo Heights District's Response to Staff's Second Request, Item 6. Files were submitted March 26, 2025.

Dexter-Almo Heights District provided an updated cost justification for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.<sup>21</sup> Commission Staff reviewed the cost justification information provided by Dexter-Almo Heights District and notes the information supports an increase in the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge. Commission Staff recommends that the Commission accept Dexter-Almo Heights District's proposed increase for the Tap-On fee from \$900 to \$1,925 for the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge, as \$1,925 represents the actual costs associated with performing this service.

#### PRO FORMA OPERATING STATEMENT

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

---

<sup>21</sup> Dexter-Almo Heights District's Response to Staff's Third Request, Item 2, Tap\_Fee\_Work\_Sheet\_-\_Dexter\_Almo.pdf.

Description	Test Year	Dexter-Almo Heights Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	(Ref)	Pro Forma
Operating Revenues						
Metered Retail Sales	\$ 377,500	\$ 31,413	\$ (31,413)	\$ -	A	
			18,017	18,017	A	\$ 395,517
Other Revenues						
Forfeited Discounts	0		6,140	6,140	B	6,140
Other Water Revenues	0			0	B	0
Total Operating Revenues	377,500	31,413	(7,256)	24,157		401,657
Operation and Maintenance						
Salaries and Wages - Employees	107,067	25,196	2,482	27,678	C1	
			(5,670)	(5,670)	C2	
			(3,300)	(3,300)	C3	125,775
Salaries and Wages - Officers	7,500		3,300	3,300	C3	10,800
Employee Pensions and Benefits	1,048		628	628	E	1,676
Purchased Water	154,089			0		154,089
Purchased Power	1,769			0		1,769
Materials and Supplies	63,769			0		63,769
Contractual Services	9,425			0		9,425
Water Testing	2,110			0		2,110
Rents	9,707			0		9,707
Transportation Expenses	7,628	8,302	(8,302)	0	F	7,628
Insurance	7,205			0		7,205
Miscellaneous Expenses	23,965			0		23,965
Total	395,282	33,498	(10,862)	22,636		417,918
Depreciation Expense	25,122		1,660	1,660	G	26,782
Taxes Other Than Income	9,045	2,455	(1,052)	1,403	H	10,448
Total Operating Expenses	429,449	35,953	(10,254)	25,699		455,148
Net Operating Income	(51,949)	(4,540)	2,998	(1,542)		(53,491)
Interest Income	0		1,548	1,548		1,548
Income Available to Service Debt	\$ (51,949)	\$ (4,540)	\$ 4,546	\$ 6		\$ (51,943)

(A) Metered Water Sales. Dexter-Almo Heights District reported test-year metered water sales of \$377,500 and proposed one adjustment to the account.<sup>22</sup> Dexter-Almo Heights District stated this adjustment was a \$31,413 increase in water sales from the year 2024, the year in which the application was filed, plus an estimate for the last 2 months remaining in the year.<sup>23</sup> Dexter-Almo Heights District stated in its response to Staff's First Request that the adjustment should not have been made, as it was using a

<sup>22</sup> Application, Attachment\_SAO\_-\_Dexter Almo.pdf, Schedule of Adjusted Operations.

<sup>23</sup> Application, Attachment SAO\_-\_Dexter Almo.pdf, Reference 1.

complete test year of 2023.<sup>24</sup> Commission Staff decreased revenues by \$31,413 to negate Dexter-Almo Heights District's erroneous adjustment. Dexter-Almo Heights District provided a billing analysis<sup>25</sup> used to calculate a normalized revenue amount based on the usage during the test year. Using the rates authorized in its current tariff, the billing analysis produced revenues of \$395,517. Commission Staff recommends an adjustment to increase water revenues by \$18,017 to match the test year metered water sales to the amount indicated in the billing analysis. Commission Staff recommends that the Commission accept the Commission Staff's pro forma adjustment because the amount meets the ratemaking criteria of being known and measurable.

(B) Other Revenues. Dexter-Almo Heights District did not include any test-year Other Revenues.<sup>26</sup> In Commission Staff's Second Request for Information, Dexter-Almo Heights District provided information on its Late Fees.<sup>27</sup> The report provided indicated late fees of \$6,450 were recorded during the test year.<sup>28</sup> Dexter-Almo Heights District did not provide the number of occurrences for each nonrecurring charge.<sup>29</sup> Dexter-Almo Heights District also stated there were no nonrecurring charges logged in 2023.<sup>30</sup> Therefore, Commission Staff was unable to determine the amount of revenue

---

<sup>24</sup> Dexter-Almo Heights District's Response to Staff's First Request, Item 23.

<sup>25</sup> Dexter-Almo Heights District's Response to Staff's Second Request, Item 8, Dexter-Almo 2023 Billing Analysis.

<sup>26</sup> Application, Attachment\_SAO\_-\_Dexter Almo.pdf, Schedule of Adjusted Operations.

<sup>27</sup> Dexter-Almo Heights District's Response to Staff's Second Request, Item 4, PSC Rate Case 2023.

<sup>28</sup> Dexter-Almo Heights District's Response to Staff's Second Request, Item 4, PSC Rate Case 2023, 2023 Late Fees Tab.

<sup>29</sup> Dexter-Almo Heights District's Response to Staff's First Request, Item 18.

<sup>30</sup> Dexter-Almo Heights District's Response to Staff's Second Request, Item 5a.

that should have been recorded in nonrecurring charges during the test year and recommends not including any Nonrecurring Charge revenue resulting in total Other Revenues comprised of only Late Fees, in the amount \$6,450.

Commission Staff recommends including the late fee revenue of \$6,450 in Other Revenues, as the amount meets the ratemaking criteria of being known and measurable.

(C) Salaries and Wages - Employees. Dexter-Almo Heights District reported a test year Salaries and Wages – Employees Expense of \$107,067 and proposed one adjustment in the amount \$25,196 (C1).<sup>31</sup> Dexter-Almo Heights District stated this adjustment was to account for new staff and an apprentice being hired following the test year.<sup>32</sup> During the test year, Dexter-Almo Heights District did not have one full-time meter reader, instead had multiple employees rotate through that position.<sup>33</sup> Dexter-Almo Heights District had a full-time operator who started February 5, 2024.<sup>34</sup> Commission Staff determined an additional increase of \$2,482 (C1), by using the employee's hours worked and wage rate to determine the increase for an additional month of wage expense, was necessary to account for the position working a full year. Dexter-Almo Heights District also confirmed that it would not be hiring a replacement for the other meter reader position in 2024, with a termination date of July 2, 2024.<sup>35</sup> Commission Staff recommends a reduction of \$5,670 (C2) to account for the wages incurred in the test year for terminated position that will not continue to occur.

---

<sup>31</sup> Application, Attachment\_SAO\_-\_Dexter Almo.pdf, Schedule of Adjusted Operations.

<sup>32</sup> Application, Attachment\_SAO\_-\_Dexter Almo.pdf, Reference 2.

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

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

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

During its review, Commission Staff also identified \$3,300 (C3) in expenses paid to Dexter-Almo Heights District's commissioners and recommends reclassifying that amount to Salaries and Wages – Officers. Commission Staff's adjustment results in a pro forma amount of \$125,775. Commission Staff recommends the Commission accept Commission Staff's adjustments as the amounts are known and measurable and are supported by the information in the case record.

(D) Salaries and Wages - Officers. Dexter-Almo Heights District reported \$7,500 in test year Salaries and Wages for its commissioners.<sup>36</sup> As stated above, Commission Staff recommends an increase of \$3,300 (C3) to record commissioner fees initially reported in Salaries and Wages – Employees in the correct category. Dexter-Almo Heights District has three commissioners that are each paid \$300 a month.<sup>37</sup> Dexter-Almo Heights District provided documentation of its commissioners' appointments,<sup>38</sup> salary authorization,<sup>39</sup> and training records.<sup>40</sup> 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

---

<sup>36</sup> Application, Attachment\_SAO\_-\_Dexter Almo.pdf, Schedule of Adjusted Operations.

<sup>37</sup> Dexter-Almo Heights District's Response to Staff's First Request, Item 10, DAWD Board Members.

<sup>38</sup> Dexter-Almo Heights District's Response to Staff's First Request, Item 11, DAWD Calloway County Fiscal Court Minutes

<sup>39</sup> Dexter-Almo Heights District's Response to Staff's First Request, Item 11, DAWD Calloway County Fiscal Court Minutes Salary.

<sup>40</sup> Dexter-Almo Heights District's Response to Staff's First Request, Item 12, DAWD Board Training.

condition of the district and its ability to meet its obligations as they mature.”<sup>41</sup> Commission Staff recommends the Commission accept Commission Staff’s adjustment as the amount should have been included in commissioner salaries account. Commission Staff also recommends Dexter-Almo Heights District’s Revenue Requirement include the full pro forma amount because Dexter-Almo Heights District provided all the required information.

(E) Employee Pension and Benefits. Dexter-Almo Heights District has one employee who participates in a Franklin Templeton IRA.<sup>42</sup> Dexter-Almo Heights District reported a test year expense of \$1,048.<sup>43</sup> Dexter-Almo Heights District provided a recent invoice that had a monthly cost of \$139.68, or \$1,676 yearly.<sup>44</sup> Commission Staff recommends an adjustment of \$628 to the test year to reach the yearly amount indicated by the invoice, as the amount is known and measurable. Commission Staff recommends the Commission accept Commission Staff’s adjustment as the amount is known and measurable.

(F) Transportation Expenses. Dexter-Almo Heights District reported a test year amount of \$7,682 and proposed one adjustment to the account.<sup>45</sup> This adjustment was to purchase another truck in the amount \$8,302 due to the hiring of additional staff.<sup>46</sup>

---

<sup>41</sup> KRS 74.020(6), Appointment of commissioners – Number – Terms – Removal – Vacancies – Organization – Bond – Compensation – Mandatory Training – Notice of Vacancy.

<sup>42</sup> Dexter-Almo Heights District’s Response to Staff’s First Request, Item 3, DAWD Employee Benefits.

<sup>43</sup> Application, Attachment\_SAO\_-\_Dexter Almo.pdf, Schedule of Adjusted Operations.

<sup>44</sup> Dexter-Almo Heights District’s Response to Staff’s First Request, Item 4, DAWD Franklin Templeton Invoices.

<sup>45</sup> Application, Attachment\_SAO\_-\_Dexter Almo.pdf, Schedule of Adjusted Operations.

<sup>46</sup> Application, Attachment\_SAO\_-\_Dexter Almo.pdf, Reference 3.

While Commission Staff agrees there should be an increase for the purchase of the truck, it does not agree that it will be a recurring expense and be including in operating expenses. Instead, Commission Staff recommends capitalizing the expense, with a resulting increase to depreciation expense, instead of materials and supplies. Commission Staff recommends the Commission accept Commission Staff's recommended adjustment as purchasing a new vehicle is not a recurring expense and should be included in the depreciation expense category.

(G) Depreciation Expense. In its application, Dexter-Almo Heights District reported a test-year amount of \$25,122 and did not propose an adjustment.<sup>47</sup> To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the National Association of Regulatory Utility Commissioners (NARUC) publication titled Depreciation Practices for Small Utilities. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. Commission Staff reviewed the depreciation schedule submitted by Dexter-Almo Heights District and determined it already used the NARUC midpoint to calculate its depreciation expenses. Finding no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges, Commission Staff recommends that the Commission accept the test-year amount of \$25,122.

As discussed in the Transportation Expenses section above, Commission Staff capitalized the purchase of a truck by Dexter-Almo Heights District resulting in increased depreciation expense of \$1,660 as shown in the table below. Commission Staff

---

<sup>47</sup> Application, Attachment\_SAO\_-\_Dexter Almo.pdf, Schedule of Adjusted Operations.



recommends the Commission accept Commission Staff's adjustment as purchasing a new vehicle is not a recurring expense and should be included as depreciation expense.

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

(H) Taxes Other Than Income. In its application, Dexter-Almo Heights District reported a test-year amount of \$9,045 and proposed one adjustment.<sup>48</sup> This adjustment, in the amount \$2,455, was to account for increased payroll taxes for the new staff and apprentice being hired.<sup>49</sup> While Commission Staff agrees with the methodology of the increase, it recalculated the amount based on the pro forma salaries and wages of Dexter-Almo Heights District's employees and commissioners of \$136,575, and calculated taxes other than income of \$10,448 shown in the table below. Therefore, Commission Staff recommends a reduction of \$1,052 to Dexter-Almo Heights District's proposed adjustment to reach the amount calculated also shown in the table below, and recommends the Commission accept the adjustment as the amount is known and measurable.

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

<sup>48</sup> Application, Attachment\_SAO\_-\_Dexter Almo.pdf, Schedule of Adjusted Operations.

<sup>49</sup> Application, Attachment\_SAO\_-\_Dexter Almo.pdf, Reference 2.

## OVERALL REVENUE REQUIREMENT

Dexter-Almo Heights District proposed to use the Debt Service Coverage method in its application, which would have resulted in an increase of \$71,040, or 17.37 percent. As described in Overall Revenue Requirement and Required Revenue Increase, in the Summary of Findings section above, Commission Staff determined that the Operating Ratio method is more appropriate because it would provide a higher level of working capital for Dexter-Almo Heights District. The Operating Ratio methodology<sup>50</sup> is used when there is no basis for a rate of return determination, the cost of the utility has largely been funded through contributions, or there is little or no outstanding long-term debt. The Operating Ratio is a method to provide the utility with necessary working capital to operate effectively. Although Dexter-Almo Heights District requested to use the Debt Service Coverage method, it did not have any outstanding debt as of December 31, 2024.<sup>51</sup> With no outstanding debt, Commission Staff is of the opinion that the Debt Service Coverage method would not produce enough revenues to keep Dexter-Almo Heights District financially stable and viable, with sufficient working capital to operate effectively. Therefore, Commission Staff recommends using the Operating Ratio method to calculate the revenue requirement for Dexter-Almo Heights District.

---

<sup>50</sup> Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues. It is illustrated by the following equation:

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

<sup>51</sup> Dexter-Almo Heights District's 2023 Audit, Note 6 – Notes Payable, at 17.

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

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

## 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. 2024-00273 DATED MAY 20 2025

\* Denotes Rounding

#### Nonrecurring Charges Adjustments

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

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

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

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

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

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

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

---

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

---

## APPENDIX B

### APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00273 DATED MAY 20 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 Dexter-Almo Heights 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	2,000 Gallons	\$ 26.49	Minimum Bill
Next	3,000 Gallons	0.01045	Per Gallon
Next	5,000 Gallons	0.00924	Per Gallon
Next	10,000 Gallons	0.00872	Per Gallon
Over	20,000 Gallons	0.00701	Per Gallon

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

#### Meter Connection/Tap-On Charges

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



\*Dexter-Almo Heights Water District  
351 Almo Road  
Almo, KY 42020

\*Pamela Cole  
Dexter-Almo Heights Water District  
351 Almo Road  
Almo, KY 42020

\*Adam Scott  
Dexter-Almo Heights Water District  
351 Almo Road  
Almo, KY 42020