

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MORGAN	)	
COUNTY WATER DISTRICT FOR A RATE	)	CASE NO.
ADJUSTMENT PURSUANT TO 807 KAR 5:076	)	2024-00010

ORDER

On March 22, 2024,<sup>1</sup> Morgan 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>2</sup> Morgan District used the calendar year ended December 31, 2022, as the basis for its application. The application was filed pursuant to the Commission’s Order in Case No. 2021-00476 which required Morgan District to file an application for an adjustment of its base rates by February 18, 2025.<sup>3</sup> Morgan District’s last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2020-00386.<sup>4</sup>

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<sup>1</sup> Morgan District tendered its application on March 15, 2024. By letter dated March 20, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on March 22, 2024.

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

<sup>3</sup> Case No. 2021-00476, *Electronic Application of Morgan County Water District for Approval to Issue of Securities for the Purpose of Refinancing Certain High Interest Indebtedness* (Ky. PSC Feb. 18, 2022), final Order at 8.

<sup>4</sup> Case No. 2020-00386, *Small Utilities Rate Adjustment Filing of Morgan County Water District* (Ky. PSC June 9, 2021), final Order.

In its application, Morgan District requested rates that would increase its annual water sales revenues by \$767,513 or 40.80 percent.<sup>5</sup>

On March 22, 2024, Morgan District filed a motion requesting an emergency hearing to allow it to present evidence to show the need for an emergency interim rate increase and for the Commission to grant a deviation from the notice requirements of 807 KAR 5:076, Section 12(3). The Commission granted Morgan District's motion for an emergency hearing but denied its motion for a deviation of the notice requirement of 807 KAR 5:076, Section 12(3), on April 8, 2024.<sup>6</sup> The Commission established a procedural schedule by Order dated April 12, 2024. On May 2, 2024, a hearing was held for the purpose of taking evidence to determine whether Morgan District's request for interim emergency rate relief met the standard set forth in KRS 278.190(2). Morgan District filed a post hearing brief on May 17, 2024.<sup>7</sup> On July 25, 2024, the Commission amended the procedural schedule.<sup>8</sup>

On July 26, 2024, the Commission issued an Order granting Morgan District the emergency base rate increase of 25.3 percent, subject to refund.<sup>9</sup> On August 15, 2024, Morgan District filed two motions. In the first motion, Morgan District requested the Commission grant a deviation to authorize Morgan District to place the interim base rate increase into effect on and after August 16, 2024. In the second motion, Morgan District requested recovery of actual rate case expenses. On September 16, 2024, the

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<sup>5</sup> Application, Attachment 4, Schedule of Adjusted Operations, 4\_SAO\_With\_Attachments.pdf.

<sup>6</sup> Order (Ky. PSC Apr. 8, 2024) at 4.

<sup>7</sup> Morgan District's Post-Hearing Brief (filed May 17, 2024).

<sup>8</sup> Order (Ky. PSC July 25, 2024).

<sup>9</sup> Order (Ky. PSC July 26, 2024) at 9.

Commission granted Morgan District's motion for deviation and ordered Morgan District to place into effect the interim base rate increase, subject to refund, on and after August 16, 2024, or starting with the next full billing cycle.<sup>10</sup> The motion to recover actual rate case expenses will be addressed in this order.

Morgan District responded to four rounds of requests for information from Commission Staff.<sup>11</sup>

On September 10, 2024, Commission Staff issued its report (Commission Staff's Report) summarizing its recommendations regarding Morgan District's requested rate adjustment. In Commission Staff's Report, Commission Staff recommended that Morgan District's adjusted test-year operations support a total revenue requirement of \$2,712,545 and that a \$774,616 revenue increase, or 41.17 percent.<sup>12</sup>

On September 17, 2024, Morgan District filed its response to Commission Staff's Report.<sup>13</sup> Morgan District stated that it does not agree with the removal of certain labor expenses from nonrecurring charges, but the district did not wish to contest that adjustment.<sup>14</sup> Morgan District concurred with the remainder of findings in Commission

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<sup>10</sup> Order (Ky. PSC Sept. 16, 2024) at 2.

<sup>11</sup> Morgan District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Apr. 26, 2024). Morgan District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed May 24, 2024). Morgan District's Response to Staff's Third Request for Information (Staff's Third Request) (filed June 20, 2024), Morgan District's Response to Commission Staff's Fourth Request for Information (Staff's Fourth Request) (filed Aug. 26, 2024).

<sup>12</sup> Commission Staff's Report at 6.

<sup>13</sup> Morgan District's Response to Commission Staff's Report (filed Sep. 17, 2024).

<sup>14</sup> Morgan District's Response to Commission Staff's Report, Item 1.

Staff's Report<sup>15</sup> and waived its right to request an informal conference or hearing on its application.<sup>16</sup> The case now stands submitted for a decision by the Commission.

### LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."<sup>17</sup> Further, the utility bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

### BACKGROUND

Morgan District is a water utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water service to approximately 2,863 residential customers and 121 commercial that reside in Morgan County, Kentucky.<sup>18</sup>

Morgan District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2020-00386.<sup>19</sup> Since that matter, Morgan District has only

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<sup>15</sup> Morgan District's Response to Commission Staff's Report, Item 2.

<sup>16</sup> Morgan District's Response to Commission Staff's Report, Item 3.

<sup>17</sup> *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); and *Public Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

<sup>18</sup> *Annual Report of Morgan County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 12 and 49.

<sup>19</sup> Case No. 2020-00386, June 9, 2021 final Order.

adjusted its rates pursuant to purchased water adjustments, financing approval, or in conjunction with an application for a Certificate of Public Convenience and Necessity.

UNACCOUNTED-FOR WATER LOSS

The Commission notes that, in its 2022 Annual Report, Morgan District reported a water loss of 32.4487 percent.<sup>20</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 2022 total annual cost of water loss to Morgan District is \$252,111, while the annual cost of water loss in excess of 15 percent is \$135,568.

Description	Purchased Water	Purchased Power	Total
Pro Forma Expenses	\$ 717,565	\$ 59,385	\$ 776,950
Water Loss Percent	32.4487%	32.4487%	
Total Water Loss	<u>\$ 232,841</u>	<u>\$ 19,270</u>	<u>\$ 252,111</u>

Description	Purchased Water	Purchased Power	Total
Pro Forma Expenses	\$ 717,565	\$ 59,385	\$ 776,950
Water Loss in Excess of 15 Percent	17.4487%	17.4487%	
Cost of Excess Water Loss	<u>\$ 125,206</u>	<u>\$ 10,362</u>	<u>\$ 135,568</u>

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold.<sup>21</sup> The Commission strongly encourages Morgan District to study its system to identify the

<sup>20</sup> 2022 Annual Report at 57.

<sup>21</sup> See generally Commission final Orders for Rate Applications from 2017-present for language explaining the greater emphasis on encouraging efforts to reduce water loss and including the approximate amount of money the lost water represented to the utility. Case No. 2017-00176, *Electronic Application of Estill County Water District No. 1 for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 20, 2017), Order at 4.

sources of unaccounted-for water loss. Further steps would be determined based on the results of Morgan District's system study and the overall structural integrity of it and may require the seeking financing for system improvements. In addition, the Commission notes that as of November 15, 2023, Morgan District had a surcharge balance of \$46,833;<sup>22</sup> however has received authorization to pay invoices for \$20,000 and \$19,500<sup>23</sup> as well as \$7,225<sup>24</sup> for total payments of \$46,725. This leaves Morgan District's current surcharge balance at \$108. Morgan District should evaluate how best to use these funds to effectuate a reduction in water loss, either individually or in conjunction with a grant.

#### TEST PERIOD

The calendar year ended December 31, 2022, was used as the test year to determine the reasonableness of Morgan District's existing and proposed wastewater rates as required by 807 KAR 5:076, Section 9.

#### SUMMARY OF REVENUE AND EXPENSES

The Commission Staff's Report summarized Morgan District's pro forma income statement as follows:

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<sup>22</sup> Case 2021-00206, *Electronic Morgan County Water District's Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (filed Nov. 15, 2023), Letter and Report.

<sup>23</sup> Case 2021-00206, Dec. 4, 2023 Order at 3, ordering paragraph 1.

<sup>24</sup> Case 2021-00206, May 17, 2024 Order, at 3, ordering paragraph 1.

Description	Test Year	Total Adjustment	Commission Staff's Report Pro Forma
Total Operating Revenues	\$ 2,152,226	\$ (288,033)	\$ 1,864,193
Total Operating Expenses ( )	(2,542,013)	128,734	(2,413,279)
Net Operating Income	(389,787)	(159,299)	(549,086)
Nonutility Income	353,443	(353,443)	-
Interest Income	72	-	72
Income Available to Service Debt	\$ (36,272)	\$ (512,742)	\$ (549,014)

The Commission notes that Commission Staff's Report had some mathematical errors in the calculation for the total adjustments to Revenue calculations, however, this did not affect the Revenue Requirement calculation. The corrected Commission Staff's Report summarized Morgan District's pro forma income statement as follows:

Description	Test Year	Total Adjustment	Commission Staff's Report Pro Forma
Total Operating Revenues	\$ 2,152,226	\$ (214,369)	\$ 1,937,857
Total Operating Expenses ( )	(2,542,013)	128,734	(2,413,279)
Net Operating Income	(389,787)	(85,635)	(475,422)
Nonutility Income	353,443	(353,443)	-
Interest Income	72	-	72
Income Available to Service Debt	\$ (36,272)	\$ (439,078)	\$ (475,350)

#### REVIEW OF COMMISSION STAFF'S RECOMMENDATIONS

Morgan District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff's Report, Commission Staff proposed additional adjustments. The Commission accepts the recommendations contained in the Commission Staff's Report. The Commission has no further modifications. The following is the Commission's complete pro forma:

Description	Test Year	Proposed Adjustment	Commission Staff Adjustment	Total Adjustment	Commission Staff's Report Pro Forma	Commission Adjustments	Commission Approved Pro Forma
<b>Operating Revenues</b>							
Total Metered Retail Sales	\$ 1,922,574	\$ (32,431)	\$ -	\$ (32,431)			
		(8,802)	-	(8,802)	\$ 1,881,341	\$ -	\$ 1,881,341
Other Water Revenues:							
Forfeited Discounts	-	32,431	-	32,431	32,431	-	32,431
Other Water Revenue	229,652	(198,825)	-	(198,825)			
		-	(6,742)	(6,742)	24,085	-	24,085
<b>Total Operating Revenues</b>	<b>2,152,226</b>	<b>(207,627)</b>	<b>(6,742)</b>	<b>(214,369)</b>	<b>1,937,857</b>	<b>-</b>	<b>1,937,857</b>
<b>Operating Expenses</b>							
<b>Operation and Maintenance Expenses</b>							
Salaries and Wages - Employees	444,858	209,648	-	209,648			
		(32,805)	-	(32,805)	621,701	-	621,701
Employee Pensions and Benefits	293,806	33,265	(11,532)	21,733			
		(53,127)	(23,759)	(76,886)			
			5,227	5,227	243,880	-	243,880
Purchased Water	717,565	(127,294)	2,088	(125,206)	592,359	-	592,359
Purchased Power	59,385	(10,535)	173	(10,362)	49,023	-	49,023
Materials and Supplies	231,172	(76,545)	-	(76,545)	154,627	-	154,627
Contractual Services	123,570		4,950	4,950	128,520	-	128,520
Transportation Expenses	58,562				58,562	-	58,562
Insurance - Gen. Liab. & Workers Con	22,319				22,319	-	22,319
Insurance - Worker's Compensation	6,175				6,175	-	6,175
Advertising	1,519				1,519	-	1,519
Miscellaneous Expenses	29,948		(8,957)	(8,957)	20,991	-	20,991
<b>Total Operation and Maintenance Expenses</b>	<b>1,988,879</b>	<b>(57,393)</b>	<b>(31,810)</b>	<b>(89,203)</b>	<b>1,899,676</b>	<b>-</b>	<b>1,899,676</b>
Depreciation Expense	519,891	(88,493)	12,484	(76,009)			
		-	3,198	3,198	447,080	-	447,080
Amortization Expense	-	-	16,453	16,453	16,453	-	16,453
Taxes Other Than Income	33,243	16,827	-	16,827	50,070	-	50,070
<b>Total Operating Expenses</b>	<b>2,542,013</b>	<b>(129,059)</b>	<b>325</b>	<b>(128,734)</b>	<b>2,413,279</b>	<b>-</b>	<b>2,413,279</b>
<b>Net Operating Income</b>	<b>(389,787)</b>	<b>(78,568)</b>	<b>(7,067)</b>	<b>(85,635)</b>	<b>(475,422)</b>	<b>-</b>	<b>(475,422)</b>
Nonutility Income	353,443	(353,443)	-	(353,443)	-	-	-
Interest Income	72			-	72	-	72
<b>Income Available to Service Debt</b>	<b>\$ (36,272)</b>	<b>\$ (432,011)</b>	<b>\$ (7,067)</b>	<b>\$ (439,078)</b>	<b>\$ (475,350)</b>	<b>\$ -</b>	<b>\$ (475,350)</b>

Reclassification of Forfeited Discounts. In its application, Morgan District proposed a decrease of \$32,431<sup>25</sup> from Metered Water Sales Revenue, and a corresponding increase to Forfeited Discounts, stating that Late Payment Penalties in the test year were incorrectly reported with sales from metered water sales.<sup>26</sup> After review of Morgan

<sup>25</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment A.

<sup>26</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Reference, Adjustment A.



District's 2021 general ledger, Commission Staff agreed with the reclassification of the \$32,431 to Forfeited Discounts.<sup>27</sup>

The Commission finds that Morgan District's adjustment is reasonable and should be accepted. Morgan District's Metered Water Sales should be reduced by a total of \$32,431, to reflect the reclassification of different revenues into the correct revenue categories.

Billing Analysis. In its application, Morgan District reported total metered water sales revenue of \$1,922,574 for the test year in its Schedule of Adjusted Operations.<sup>28</sup> Morgan District provided a billing analysis listing the water usage and water sales revenue for the 12-month test year<sup>29</sup> and calculated the normalized Meter Retail Sales based on the usage during the test year using the rates authorized in its current tariff to be \$1,881,341 and proposed an adjustment to decrease test-year water sales revenue by \$8,802<sup>30</sup> to reflect the revenues from water rates generated by the billing analysis.<sup>31</sup> Commission Staff recommended the Commission accept the adjustments because the amounts are known and measurable.<sup>32</sup>

The Commission finds that Morgan District's recommended adjustment is reasonable and should be accepted. Morgan District's Metered Retail Sales should be

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<sup>27</sup> Commission Staff's Report at 11–12.

<sup>28</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations.

<sup>29</sup> Application, Attachment 5, 5\_Current\_Billing\_Analysis.pdf, Current Billing Analysis.

<sup>30</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment B.

<sup>31</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, References, Adjustment B.

<sup>32</sup> Commission Staff's Report at 12.

decreased by \$8,802 because the adjustment to Metered Sales to Retail Customers is a known and measurable change reflected in the evidence provided in the record.

Other Water Revenues – Water Loss Surcharge Revenue Removal. In its application, Morgan District proposed to decrease Other Water Revenues by \$198,825<sup>33</sup> to reflect the removal of water loss surcharge collections.<sup>34</sup> During the test year, Morgan District recorded \$198,825 as revenues from water sales<sup>35</sup> that in their general ledger, according to the Uniformed System of Accounting (USoA), should be accounted as Contributions in Aid of Construction and credited to Account 271 – Contributions in Aid of Construction<sup>36</sup> and not included in Revenues. Commission Staff agreed with this adjustment, as it should not have been reported as Other Water Revenues, and recommended the Commission accept the proposed adjustment.<sup>37</sup>

The Commission finds that Morgan District's adjustment is reasonable and should be accepted. Morgan District's Other Water Revenues should be reduced by \$198,825 because the USoA requires that water loss surcharges collected be considered Contributions in aid of Construction rather than treated as revenue.

Other Water Revenues – Nonrecurring Charges. In Commission Staff's Report, all labor costs for charges occurring during normal business hours and all office labor

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<sup>33</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment C.

<sup>34</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, References, Adjustment C.

<sup>35</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Reference B.

<sup>36</sup> Uniform System of Accounts for Class A/B Water Companies, at 83, Section 271 Contributions in Aid of Construction, Item A.

<sup>37</sup> Commission Staff's Report at 12–13.

charges from After-Hours nonrecurring charges were removed.<sup>38</sup> The calculation of these adjustments to the Nonrecurring Charges are included in a table provided in Appendix A. Commission Staff recommended that the Commission approve the total adjustment to decrease Miscellaneous Service Revenue by \$6,742.<sup>39</sup>

The Commission finds that the Commission Staff's recommendation is consistent with precedent, that labor expenses resulting from work performed during normal business hours should not be recovered through nonrecurring charges.<sup>40</sup> The Commission requires that charges be directly related to the actual cost incurred to provide the service. Only the marginal cost related to the service should be recovered through a nonrecurring charge for service provided during normal working hours. Thus, the Commission finds that Commission Staff's recommendation is reasonable, the revised nonrecurring charges as described in Appendix A to be reasonable and that Morgan District's Miscellaneous Service Revenue should be reduced by \$6,742 because only the incremental cost related to the service should be recovered for service provided during normal business hours.

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<sup>38</sup> Commission Staff's Report at 7–9.

<sup>39</sup> Commission Staff's Report at 13.

<sup>40</sup> Case No. 2023-00090, *Electronic Application of Henry County Water District #2 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2023); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 4, 2024); Case No. 2023-00090, *Electronic Application of Kirksville Water Association Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00252, *Electronic Application of Oldham County Water District for an Alternative Rate Adjustment* (Ky. PSC June 18, 2024).

Salaries and Wages - Employees. In its application, Morgan District proposed an adjustment to increase Salaries and Wages by \$209,648,<sup>41</sup> to reflect the normalization of Employee Salaries.<sup>42</sup> Commission Staff calculated a Current Salaries and Wages – Employees amount of \$654,506, using the test year hours for employees and current wage rates. Commission Staff calculated an increase of \$209,648, as shown in the following table.

Employee Number	Normalized Regular Hours Worked	Current Normal Wage Rates	Pro Forma Normal Wages	Test-Year Overtime Hours Worked	Current Overtime Wage Rates	Pro Forma Overtime Wages	Pro Forma Salaries and Wages
Employee 1	2,080	\$ 35.10	\$ 73,008		\$ 52.65	\$ -	\$ 73,008
Employee 2	2,080	21.63	44,990	10.00	32.45	324	45,314
Employee 3	2,080	21.63	44,990	12.00	32.45	389	45,379
Employee 4	2,080	21.00	43,680	180.50	31.50	5,686	49,366
Employee 5	2,080	21.00	43,680		31.50	-	43,680
Employee 6	2,080	21.00	43,680	72.20	31.50	2,274	45,954
Employee 7	2,080	20.00	41,600	90.00	30.00	2,700	44,300
Employee 8	2,080	19.23	39,998	12.50	28.85	361	40,359
Employee 9	2,080	18.27	38,002		27.41	-	38,002
Employee 10	2,080	17.00	35,360	10.00	25.50	255	35,615
Employee 11	2,080	17.00	35,360	3.50	25.50	89	35,449
Employee 12	2,080	16.00	33,280		24.00	-	33,280
Employee 13	2,080	15.00	31,200		22.50	-	31,200
Employee 14	2,080	15.00	31,200		22.50	-	31,200
Employee 15	2,080	15.00	31,200		22.50	-	31,200
Employee 16	2,080	15.00	31,200		22.50	-	31,200
Total			<u>\$ 642,428</u>			<u>\$ 12,078</u>	654,506
Less: Test Year Employee Salaries and Wages Expense							(444,858)
Total Salaries and Wages Adjustment							209,648
Less: Morgan District's Proposed Adjustment							(209,648)
Commission Staff's Additional Adjustment							<u>\$ -</u>

<sup>41</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment D.

<sup>42</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, References, Adjustment D.

Commission Staff recommended the Commission accept Morgan District's \$209,648 increase to Salaries and Wages – Employees; to reflect the normalization of test year salaries at current rates.<sup>43</sup>

The Commission finds that Morgan District's recommended adjustment is reasonable and should be accepted. Morgan District's Salaries and Wages- Employees should be increased by \$209,648, because the adjustment to normalize Salaries and Wages – Employees is a known and measurable change reflected in the evidence provided in the record.

Expenses Related to Meter Installations. In its application, Morgan District proposed an adjustment to decrease Salaries and Wages – Employees by \$32,805,<sup>44</sup> and Materials and Supplies by \$76,545,<sup>45</sup> to account for tap fee expenses that were included as part of these expenses during the test year.<sup>46</sup> The USoA requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.<sup>47</sup> Commission Staff agreed with Morgan District's proposed adjustment methodology.<sup>48</sup> During the test year, Morgan District installed 74 new water

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<sup>43</sup> Commission Staff's Report at 15.

<sup>44</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment E.

<sup>45</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment E.

<sup>46</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, References, Adjustment E.

<sup>47</sup> USoA, Accounting Instruction 19 and 33.

<sup>48</sup> Commission Staff's Report at 13–14.

connections,<sup>49</sup> 73 of which were 3/4-inch meters and one was a 1-inch meter and recorded \$109,350 in tap fees<sup>50</sup> as shown in the following table.

Meter Size	Number of New Connections	Tariff Charge	Total
3/4" Meters	73	\$ 1,450	\$ 105,850
1" Meters	1	Actual Cost	3,500
Total	<u>74</u>		<u>\$ 109,350</u>

Commission Staff agreed with Morgan District's proposed adjustments to decreased Salaries and Wages – Employee by \$32,805, and Materials and Supplies by \$76,545, as shown in the following table.<sup>51</sup>

Description	Salaries and Wages - Employees	Materials and Supplies
Tap Fees	\$ 109,350	\$ 109,350
Allocated Percent	30%	70%
Total Proposed Adjustment	(32,805)	(76,545)
Less: Morgan District Proposed Adjustments ( )	32,805	76,545
Commission Staff's Proposed Adjustment	<u>\$ -</u>	<u>\$ -</u>

Commission Staff recommended the Commission accept Morgan District's \$32,805 decrease to Salaries and Wages – Employees and \$76,545 decrease to Materials and Supplies, to reflect the removal of expenses related to the installation of new water taps.<sup>52</sup>

<sup>49</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, References, Adjustment E.

<sup>50</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, References, Adjustment E.

<sup>51</sup> Commission Staff's Report at 15–17.

<sup>52</sup> Commission Staff's Report at 17.

The Commission finds that Morgan District's adjustments are reasonable and should be accepted. Morgan District's Salaries and Wages – Employees should be reduced by \$32,805, and Materials and Supplies should be reduced by \$76,545 because the USoA requires that costs be capitalized as utility plant is service and depreciated over their estimated useful lives.

Employee Pensions and Benefits – Medical Insurance Premiums. In its application, Morgan District proposed an adjustment to increase Employee Pensions and Benefits by \$33,265<sup>53</sup> to reflect a reduction in the contribution amount of Morgan District to closer to the average percentage contribution levels reflected in the Bureau of Labor Statistics Report (BLS).<sup>54</sup> Morgan District currently pays 100 percent for employee health, dental, and vision insurance premiums.<sup>55</sup> The Commission continues to place greater emphasis on evaluating employees' total compensation packages, including both salary and benefits programs, for market and geographic competitiveness to ensure the development of a fair, just and reasonable rate.

The Commission has found that, in most cases, 100 percent of employer-funded health care does not meet those criteria.<sup>56</sup> Consistent with precedent,<sup>57</sup> Commission Staff

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<sup>53</sup> Application, Attachment 4, Schedule of Adjusted Operations, 4\_SAO\_With\_Attachments.pdf, Adjustment D.

<sup>54</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, References, Adjustment D.

<sup>55</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, References, Adjustment F.

<sup>56</sup> Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020); Case No. 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 3, 2021).

<sup>57</sup> Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019), Order at 8–12.

agreed with Morgan District’s proposed methodology but calculated a different amount.<sup>58</sup> Accordingly, utilizing the most recent invoice amounts. Commission Staff calculated a net increase to Employee Benefits of \$21,733, to account for both an increase in insurance premiums and a reduction for the average contribution based on the BLS statistics. Commission Staff’s proposed adjustment was \$11,532 less than the adjustment proposed by Morgan District, as shown below:

Type of Premium	Number of Employees	Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Health Insurance - Single	11	\$ 8,953	21%	\$ (1,880)	\$ 7,073
Health Insurance - Family	1	2,320	33%	(766)	1,554
Vision Insurance	14	137	0%	-	137
Dental Insurance	14	405	60%	(243)	162
Life Insurance	16	163	0%	-	163
Total Pro Forma Monthly Premium		11,978		(2,889)	9,089
Times: 12 Months		12		12	12
Total Annual Pro Forma Premium		<u>\$ 143,736</u>		<u>\$ (34,668)</u>	109,068
Less: Test Year Insurance					(87,335)
Employee Benefits Adjustment					21,733
Less: Commission Staff Recommended Adjustment					(33,265)
Final Pro Forma Employee Benefits Adjustment					<u>\$ (11,532)</u>

Commission Staff recommended the Commission accept Commission Staff’s \$21,733 increase to Employee Benefits to reflect the increased insurance premiums and the reduction in employer contributions.<sup>59</sup>

The Commission finds Commission Staff’s recommended adjustment is reasonable and should be accepted. Morgan District’s Employee Benefits expense is decreased by \$21,733, because it is consistent with the precedent established in previous cases regarding the evaluation of employees’ total compensation packages for market

<sup>58</sup> Commission Staff’s Report at 18–20.

<sup>59</sup> Commission Staff’s Report at 17–18.



and geographic competitiveness that ensure the development of a fair, just and reasonable rate.<sup>60</sup>

Employee Benefits – Retirement (CERS). In its application, Morgan District proposed to decrease Employee Pensions and Benefits by \$53,127,<sup>61</sup> to reflect Morgan District’s current salaries multiplied by the current contribution rates.<sup>62</sup> Morgan District participates in the Kentucky Public Pensions Authority (KPPA) – CERS through the Morgan County Fiscal Court.<sup>63</sup> Commission Staff agreed with Morgan District’s methodology;<sup>64</sup> however, as discussed in the Salaries and Wages – Employees Adjustment, Commission Staff calculated a normalized Salaries and Wages – Employees’ expense of \$654,506. In addition, the KPPA fiscal year 2025 contribution rate is 19.71 percent.<sup>65</sup> Using the Salaries and Wages – Employees, of \$654,506 and the current contribution rate, Commission Staff calculated a CERS contribution of \$129,003, which is a decrease of \$76,886 to Morgan District’s test year pension contribution amount of \$205,889.<sup>66</sup> The proposed adjustment is \$23,759 more than Morgan District’s proposed decrease of \$53,127, as shown in the following table.

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<sup>60</sup> Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019) at 8–12.

<sup>61</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment G.

<sup>62</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, References, Adjustment G.

<sup>63</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment G.

<sup>64</sup> Commission Staff’s Report at 19–20.

<sup>65</sup> KPPA, GASB Contribution Rates (<https://www.kyret.ky.gov/Employers/GASB/Pages/Contribution-Rates.aspx>).

<sup>66</sup> Commission Staff’s Report at 19.

Description	Commission Staff Adjustment
Salaries and Wages - Employees	\$ 654,506
Multiplied by: Current CERS Contribution Rate	19.71%
CERS Retirement- Employer Contribution	129,003
Less: 'Test Year Expense ( )	(205,889)
Employee Pensions and Benefits Adjustment	(76,886)
Less: Morgan District's Proposed Adjustment ( )	53,127
Commission Staff Proposed Adjustment	<u>\$ (23,759)</u>

Commission Staff recommended the Commission accept Commission Staff's \$76,886 decrease to Employee Benefits – Retirement to reflect the reduction in expenses due to changes in both contribution rate and Employee Salaries and Wages.<sup>67</sup>

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Morgan District's Employee Benefits (CERS) should be decreased by \$76,886, because the known and measurable change is a direct result of changes to Salaries and Wages – Employees and the contribution rate at the effective percentage as of the date of this Order. The adjustment reflects the current, known CERS contribution percentage.

Other Net Employee Pensions and Benefits Adjustment. Commission Staff calculated total Pro Forma Employee Pensions and Benefits of \$243,880 as shown below.

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<sup>67</sup> Commission Staff's Report at 20.

<u>Employee Pensions and Benefits Components</u>	<u>Pro Forma Amount</u>
Pro Forma Medical Insurance Premiums	\$ 109,068
Uniforms/ Boots	5,143
Clothing Allowances	666
Pro Forma Retirement - CERS	129,003
Pro Forma Employee Pensions and Benefits	<u>243,880</u>
Less: Test Year Employee Pensions and Benefits ( )	(293,806)
Net Adjustments	<u>\$ (49,926)</u>

As discussed above, Commission Staff calculated an increase of \$21,733 for Medical Insurance Premiums; and a decrease of \$76,886 for Retirement – CERS.<sup>68</sup> An additional \$5,227 adjustment, to reconcile the Uniforms/ Boots and the Clothing Allowances from the test year to the pro forma as determined by Commission Staff's review,<sup>69</sup> as shown in the following table.

<u>Description</u>	<u>Amount</u>
Medical Insurance Premiums Adjustment	21,733
Retirement - CERS Adjustment	(76,886)
Other Employee Benefits Adjustment	5,227
Net Adjustments	<u>\$ (49,926)</u>

Commission Staff recommended the Commission accept Commission Staff's increase of \$5,227 to Employee Benefits to reflect the reconciliation of the Uniforms/Boots and the Clothing Allowances from the test year to the pro forma.

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Morgan District's Employee Benefits should be

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<sup>68</sup> Commission Staff's Report at 20.

<sup>69</sup> Commission Staff's Adjustment reflects the most accurate information related to the General Ledger based on Morgan District's incomplete information.

increased by \$5,227, in order to properly account for the Uniform/ Boots and Clothing Allowance as part of the pro forma Employee Benefits expenses. However, the Commission notes that this adjustment is an example of the issue with incomplete and possibly inaccurate information. The Commission is tasked with approving fair, just and reasonable rates, and this adjustment was necessary to reconcile expenses based on poor accounting practices.

Excess Water Loss. In its application, Morgan District proposed adjustments to decrease Purchased Water expense by \$127,294<sup>70</sup> and Purchased Power expense by \$10,535.<sup>71</sup> The adjustments are to reflect the expense for water loss in excess of 15 percent.<sup>72</sup> During the test year, Morgan District reported water loss of 32.4487 percent.<sup>73</sup> As noted previously, Commission regulations do not permit the recovery of expenses for water loss in excess of 15 percent. In its application, Morgan District reported a test year Water Loss of 32.74 percent,<sup>74</sup> using the water loss percentage reported in the 2022 Annual Report. Commission Staff calculated a decrease of \$125,206 to Purchased Water expense, which is \$2,088 less than the \$127,294 proposed by Morgan District. Commission Staff also calculated a decrease of \$10,362 to Purchased Power expense,

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<sup>70</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment H.

<sup>71</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment H.

<sup>72</sup> Application, Attachment 4, Schedule of Adjusted Operations, 4\_SAO\_With\_ Attachments.pdf, References, Adjustment H.

<sup>73</sup> 2022 Annual Report at 57.

<sup>74</sup> Application, Attachment 4, Schedule of Adjusted Operations, 4\_SAO\_With\_ Attachments.pdf, References, Adjustment H.

which was \$173 less than the \$10,535 proposed by Morgan District, as shown in following table:

Description	Purchased Water	Purchased Power	Total
Pro Forma Expenses	\$ 717,565	\$ 59,385	\$ 776,950
Water Loss in Excess of 15 Percent	17.4487%	17.4487%	17.4487%
Cost of Excess Water Loss	(125,206)	(10,362)	(135,568)
Morgan District Proposed Adjustment ( )	127,294	10,535	137,829
Commission Staff's Proposed Adjustment	\$ 2,088	\$ 173	\$ 2,261

Commission Staff recommended the Commission accept Commission Staff's \$125,206 decrease to Purchased Water expense and \$10,362 decrease to Purchased Power expense to reflect the reduction in expenses for water loss above 15 percent.<sup>75</sup>

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. The adjustments result in regulatory mandated amounts for recovery.

Contractual Services. In its Post Hearing Brief, Morgan District reported its billing software will expire or become obsolete in December of 2024.<sup>76</sup> Commission Staff recommended including the annual support fee for the new billing software in Morgan District's Contractual Services.<sup>77</sup> Morgan District reported the total annual cost for the software updates, toll-free phone support, and remote modem support will be \$4,950

<sup>75</sup> Commission Staff's Report at 21–22.

<sup>76</sup> Morgan District's Post Hearing Brief (filed May 17, 2024) at 9.

<sup>77</sup> Commission Staff's Report at 22–23.

annually.<sup>78</sup> Commission Staff proposed an adjustment to increase Contractual Services by \$4,950, as shown in the following table:

<u>Annual Billing Software Cost</u>	<u>Amount</u>
Billing Module	\$ 2,700
Accounting Module	1,500
Mobile Work Order Application	750
Total Annual Cost	<u>\$ 4,950</u>

Commission Staff recommended the Commission accept Commission Staff's \$4,950 increase to Contractual Services to reflect the inclusion of expenses related to Morgan District's new billing software.<sup>79</sup>

The Commission finds that Commission Staff's recommended adjustment is reasonable and should be accepted. Morgan District's Contractual Services should be increased by \$4,950, because the adjustment to include annual billing software expenses is a known and measurable change reflected in the evidence provided in the record.

Miscellaneous Expense – Charitable Contributions. During the test year, Morgan District hosted a Fundraising golf tournament in partnership with CITGO Water and One Foundation.<sup>80</sup> Morgan District also participated in a river cleanup event on June 11, 2022, and provided shirts for the event. Commission Staff calculated the total expenses of \$7,406 for the golf tournament and \$1,551 for the river clean-up, as shown in the following table:

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<sup>78</sup> Morgan District's Post Hearing Brief, Exhibit 9: Billing Software information at 2.

<sup>79</sup> Commission Staff's Report at 22–23.

<sup>80</sup> Morgan District's Response to Staff's First Request, Item 4, April 11<sup>th</sup> Board Meetings.

Description	Amount
<u>MCWD Charity Golf Scramble</u>	
Hole In One Insurance	\$ 181
Boosting Facebook Post	10
Greens Fees for Golf Tournament	2,000
Hole Prizes for Golf Tournament	2,500
Prize Money for Golf Tournament	2,250
Boosting Facebook Post	21
Reno's Roadhouse - Green Fees for Tournament	444
sub-total	7,406
<u>Charitable Contribution - Ky River Clean-up</u>	
Food for River Clean-up	104
Company Shirts for River Clean Up	1,447
sub-total	1,551
Total	\$ 8,957

The Commission has consistently denied the inclusion of charitable contributions as an operating expense for rate-making purposes.<sup>81</sup> Therefore, Commission Staff removed these expenses from the Miscellaneous Expense, resulting in a decrease to Miscellaneous Expense of \$8,957. Commission Staff recommended the Commission accept Commission Staff's \$8,957 decrease to Miscellaneous Expense.<sup>82</sup>

The Commission finds that Commission Staff's recommended adjustment is reasonable and should be accepted. Morgan District's Miscellaneous Expense should be decreased by \$8,957 because charitable contributions are not a direct expenditure for Morgan District's purpose to furnish adequate, efficient and reasonable service. In addition, the Commission notes that Morgan District is in such financial hardship to

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<sup>81</sup> Case No. 9061, *Re Kentucky Power Company* (filed Dec. 4, 1984).

<sup>82</sup> Commission Staff's Report at 23–24.

require an emergency rate increase. The Commission would recommend evaluating undertaking such activities going forward, until the district improves its financial condition.

Depreciation Expense. In the application, Morgan District proposed a decrease to Depreciation Expense of \$88,493<sup>83</sup> to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Water Utilities* (NARUC Study).<sup>84</sup> To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same NARUC Study published in 1979.<sup>85</sup> 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.<sup>86</sup> Upon examination, Commission Staff agreed with Morgan District's methodology to adjust depreciation expense.<sup>87</sup> However, Commission Staff calculated a depreciation expense of \$443,882. Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff reduced Morgan

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<sup>83</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment H.

<sup>84</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, References, Adjustment H.

<sup>85</sup> Case 2023-00134, *Electronic Application of North Marshall Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 22, 2023), Order at 30. Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

<sup>86</sup> See Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), Order. Case 2023-00134 *Electronic Application of North Marshall Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 22, 2023), Order at 30. Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

<sup>87</sup> Commission Staff's Report at 24–26.



District's Depreciation Expense by \$76,009, which is \$12,484 less than the \$88,493 proposed by Morgan District, as shown in the following table:

Categories	Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Structure and Improvements	35 - 40	814.80	(379.80)	435.00
Power Operated Equipment	10 - 15	8,838	(1,796)	7,042
Tools, Shop, & Garage Equipment	15 - 20	5,925	12,673	18,598
Office Furniture and Equipment:	20 - 25	3,333	(2,296)	1,037
Hydrants	40 - 60	312	104	416
Reservoirs and Tanks	30 - 60	651.15	217	868
Transportation Equipment	7	36,829	(1,305)	35,524
Transmission and Distribution Mains	50 - 75	462,511	(85,882)	376,629
Meters	30 - 60	677	34,847	3,333
Total		\$ 519,891	\$ (43,818)	\$ 443,882
Less: Recorded Test Year Depreciation Expense ( )				(519,891)
Commission Staff's Proposed Adjustment				(76,009)
Less: Morgan District's Proposed Adjustment ( )				88,493
Total Depreciation Expense Adjustment				\$ 12,484

Commission Staff recommended the Commission accept Commission Staff's \$76,009 decrease to Depreciation Expense, to reflect the normalization of Depreciation Expense.<sup>88</sup>

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Morgan District's Depreciation expense should be decreased by \$76,009, in order to align Morgan District's capital assets' useful lives with the NARUC recommended useful lives.

Depreciation Expense – Billing Software. As discussed in the Contractual Services Adjustment, Morgan District's billing software will become obsolete or expire in December 2024, and therefore, will require replacement. Morgan District provided the quote for the

<sup>88</sup> Commission Staff's Report at 24–26.

Utility Billing Module as well as the Accounting Module;<sup>89</sup> the total cost for both the billing and accounting modules is \$31,975. Commission Staff proposed to include \$3,198 to the annual depreciation expense for the new Billing and accounting modules,<sup>90</sup> as shown in the following table.

Description	Amount
Cost of Total Cost for Billing and Accounting Modules	\$ 31,975
Divided by NARUC Deprecation Communication Equipment	10
Billing Software Depreciation	<u>\$ 3,198</u>

Commission Staff recommended the Commission accept Commission Staff's \$3,198 increase to Depreciation Expense, to reflect the annual depreciation of the Billing and accounting modules.

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Morgan District's Depreciation expense is increased by \$3,198, because the recovery of expenses for the new billing software and accounting modules is a known and measurable change reflected in the evidence provided in the record.

Amortization of Rate Case Expense. On August 15, 2024, Morgan District filed a motion requesting the Commission allow recovery of rate case expenses incurred as of July 31, 2024.<sup>91</sup> In the motion, Morgan District proposed an adjustment to increase Amortization Expense by \$16,453 to reflect the three-year amortization of the estimated

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<sup>89</sup> Morgan District's Post Hearing Brief, Exhibit 9: Billing Software information at 1.

<sup>90</sup> Commission Staff's Report at 26–27.

<sup>91</sup> Motion to Recover Rate Case Expense, (filed Aug. 15, 2024), Item 6.

rate case expense.<sup>92</sup> As a part of the Motion, Morgan District supplied copies of the invoices for the expenses incurred in the preparation of the rate case.<sup>93</sup>

It is Commission precedent to amortize the cost of the rate case expense over three years in the absence of a different, reasonable period requested by a utility;<sup>94</sup> therefore, Commission Staff agreed with amortizing the rate case expenses over a three-year period.<sup>95</sup> Setting the amortization to occur over the same time as the expected time between rate cases ensures regulatory assets are not over –or under- amortized. Commission Staff reviewed the invoices supplied and agreed with the proposed recovery of the \$49,360 over a three-year period, for an annual amortization expense of \$16,453. Commission Staff recommended the Commission agree with Morgan District’s motion to allow the recovery of rate case expenses over a three-year amortization period.<sup>96</sup>

The Commission finds that Morgan District’s motion to recover actual rate case expenses should be granted. In *Driscoll v. Edison Light & Power Co.*, the United States Supreme Court held that a “utility should be allowed its fair and proper expenses for presenting its side to the commission.”<sup>97</sup> Additionally, the Commission has generally

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<sup>92</sup> Motion to Recover Rate Case Expense, Item 6.

<sup>93</sup> Motion to Recover Rate Case Expense, Appendix A.

<sup>94</sup> Case 2021-00475, *Electronic Application of Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2022), Order at 9–10.

<sup>95</sup> Commission Staff’s Report at 27–28.

<sup>96</sup> Commission Staff’s Report at 27–28.

<sup>97</sup> *Driscoll v. Edison Light & Power Co.*, 307 U.S. 104, 120-121 (1939).

permitted rate recovery of a reasonable level of rate case expenses.<sup>98</sup> The Commission finds that Morgan District provided sufficient evidence to justify the rate case expense of \$49,360, and that the proposed rate case expense is reasonable. The Commission also finds that Commission Staff's recommended adjustment is reasonable and Morgan District's amortization expense should be increased by \$16,453; because the Commission finds that recovery of the rate case expense should be recovered over the period that the utility will have between rate cases.

Taxes other than Income – Federal Insurance Contributions Act (FICA). In its application, Morgan District proposed an adjustment to increase Taxes Other Than Income by \$16,827,<sup>99</sup> to reflect the increase in payroll taxes due to the proposed increase in Salaries and Wages Expense.<sup>100</sup> As explained in the Salaries and Wages – Employee adjustment, Commission Staff calculated Salaries and Wages – Employees of \$654,506. Therefore, Commission Staff agreed with Morgan District's calculation for an increase to Taxes Other Than Income of \$16,827, as shown in the following table.<sup>101</sup>

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<sup>98</sup> Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 9, 2018), at 14; Case No. 2009-00373, *Proposed Adjustment of the Wholesale Service Rates of Hopkinsville Water Environment Authority* (Ky. PSC July 2, 2010), at 8; and Case No. 23-154, *Electronic Application of Harrison County Water Association for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), at 40.

<sup>99</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Adjustment J.

<sup>100</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, References, Adjustment J.

<sup>101</sup> Commission Staff's Report at 28.

Description	Amount
Total Salaries and Wages	654,506
Times: 7.65 Percent FICA Rate	7.65%
Total Taxes Other Than Income	50,070
Less: Test Year Taxes Other Than Income	(33,243)
Taxes Other Than Income Tax Adjustment	16,827
Less: Proposed Adjustment	(16,827)
Commission Staff's Proposed Adjustment	<u>\$ -</u>

Commission Staff recommended the Commission approve Morgan District's adjustment to increase Taxes other than Income by \$16,827, because it is a direct result from changes to Salaries and Wages – Employees expense.<sup>102</sup>

The Commission finds that Morgan District's recommended adjustments are reasonable and should be accepted. Morgan District's Taxes other than Income should be increased by \$16,827 because the known and measurable change is a direct result of changes to Salaries and Wages – Employees expense.

Nonutility Income: In its application, Morgan District proposed an adjustment to reduce Nonutility Income by \$353,443,<sup>103</sup> to reflect the removal of funds provided to Morgan District that were erroneously reported as part of Nonutility Income.<sup>104</sup> The funds are: (1) USDA gave Morgan District \$292,591 to fund the Old Hwy 12 Project – a water loss project that replaced sections of line that had multiple water leaks over the last few years; (2) In 2022 the Federal Emergence Management Agency (FEMA) gave Morgan District \$53,543 for damage caused by the 2021 ice storm; (3) Another payment from

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<sup>102</sup> Commission Staff's Report at 28.

<sup>103</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Schedule of Adjusted Operations, Revenue Requirements Table, Adjustment L.

<sup>104</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Requirements Table, References, Adjustment L.

FEMA for \$709 for damage caused by the 2021 flood; and (4) An insurance reimbursement of \$6,600 was received to replace meters and meter setters that were stolen from Morgan District.<sup>105</sup> These transactions are unusual transactions not expected to reoccur;<sup>106</sup> and therefore, should be removed from the test year. Commission Staff agreed with Morgan District's proposed adjustment and decreased Nonutility Income by \$353,443.<sup>107</sup> Commission Staff recommended the Commission accept Morgan District's adjustment to remove unusual occurrences from the Pro Forma Nonutility Income.<sup>108</sup>

The Commission finds Morgan District's recommended adjustment is reasonable and should be accepted. Morgan District's Non-Utility Income is decreased by \$353,443, because the transactions are each unusual event and not likely to reoccur. Therefore, the Commission finds that a reduction of \$353,443 is required.

#### SUMMARY OF ADJUSTMENTS

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

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<sup>105</sup> Application, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Requirements Table, References, Adjustment L.

<sup>106</sup> Hearing Video Transcript of the May 2, 2024 Hearing, Robert Miller Testimony, 09:53:30.

<sup>107</sup> Commission Staff's Report at 29.

<sup>108</sup> Commission Staff's Report at 29.

Description	Commission Staff's Report Pro Forma	Commission Adjustments	Commission Approved Pro Forma
Total Operating Revenues	\$ 1,937,857	\$ -	\$ 1,937,857
Total Operating Expenses ( )	(2,413,279)	-	(2,413,279)
Net Operating Income	(475,422)	-	(475,422)
Nonutility Income	-	-	-
Interest Income	72	-	72
Income Available to Service Debt	\$ (475,350)	\$ -	\$ (475,350)

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.<sup>109</sup> 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;<sup>110</sup> (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense. The table below reflects Commission Staff's and the Commission approved calculated revenue requirement.

<sup>109</sup> Case No. 2022-00124, *Electronic Application of Elkhorn Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2022). Case No. 2021-00475, *Electronic Application of Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2022).

<sup>110</sup> The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm'n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky. 1986). Although a water district's lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account's balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district's general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

Description	Commission Staff's Report	Commission Approved
Pro Forma Operating Expenses	\$ 2,413,279	\$2,413,279
Plus: Average Annual Principal and Interest Payments	249,388	249,388
Plus: Additional Working Capital	49,878	49,878
Overall Revenue Requirement	2,712,545	2,712,545
Less: Other Operating Revenue	(24,085)	(24,085)
Less: Interest Income	(72)	(72)
Less: Forfeited Discounts	(32,431)	(32,431)
Revenue Required from Rates	2,655,957	2,655,957
Less: Pro Forma Present Rate Service Revenues	(1,881,341)	(1,881,341)
Required Revenue Increase	<u>\$ 774,616</u>	<u>\$ 774,616</u>
Percentage Increase	<u>41.17%</u>	<u>41.17%</u>

1. Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Morgan District had three loans with United States Department of Agriculture (USDA) Rural Development (RD),<sup>111</sup> and two outstanding Kentucky Rural Water Finance Corporation (KRWFC) bonds.<sup>112</sup> In its application, Morgan 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 the five years following the test year, which is 2024 through 2028.<sup>113</sup> However,

<sup>111</sup> Case No. 2000-00492, *The Application of Morgan County Water District for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to the Provisions of KRS 278.023* (Ky. PSC Dec. 12, 2000). Case No. 2006-00204, *The Application of Morgan County Water District for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to the Provisions of KRS 278.023* (Ky. PSC May 31, 2006). Case No. 2008-00242, *The Application of Morgan County Water District for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023* (Ky. PSC July 29, 2008).

<sup>112</sup> Case No. 2016-00342, *Application of Morgan County Water District to Issue Securities in the Approximate Principal Amount of \$1,320,000 for the Purpose Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 And 807 Kar 5:001* (Ky. PSC Nov. 22, 2016). Case No. 2021-00476, *Electronic Application of Morgan County Water District for Approval to Issue of Securities for the Purpose of Refinancing Certain High Interest Indebtedness* (Ky. PSC Feb. 18, 2022).

<sup>113</sup> Application, Attachment 4, Attachment 4, 4\_SAO\_With\_Attachments.pdf, Revenue Requirements Table.



because the statutory date for a final Order to be issued in this proceeding is January 22, 2025, the 2024 debt service payments will be recovered through Morgan 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 Morgan District’s Annual Principal and Interest Expense.

Commission Staff agreed with Morgan District’s proposed methodology. However, when Commission Staff calculated the five-year Average Annual Principal and Interest Payments or the years 2025 through 2029, it calculated \$249,388, as shown in the following table.

C.Y.	CY 2025		CY 2026		CY 2027		CY 2028		CY 2029		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
Series 2002	\$ 9,000	\$ 6,143	\$ 9,500	\$ 5,850	\$ 10,000	\$ 5,541	\$ 10,000	\$ 5,216	\$ 5,216	\$ 15,216	\$ 81,682
Series 2006	22,000	30,071	23,000	29,164	24,000	28,215	25,000	27,225	26,000	26,194	260,869
Series 2008	28,820	47,191	28,820	46,002	31,250	44,764	32,540	43,475	33,880	42,133	378,875
KRWFC Series 2016	60,000	37,762	60,000	35,062	65,000	32,262	65,000	29,662	65,000	27,062	476,810
KRWFC Series 2021	6,500	3,288	6,500	3,215	6,500	3,142	6,500	3,068	7,000	2,993	48,706
5-Year Totals	\$ 126,320	\$ 124,455	\$ 127,820	\$ 119,293	\$ 136,750	\$ 113,924	\$ 139,040	\$ 108,646	\$ 137,096	\$ 113,598	1,246,942
Divided by 5 years											5
Average Annual Principal and Interest Payments											<u>\$ 249,388</u>

The Commission finds Morgan District’s proposed Average Interest and Principal Payments of \$249,388 should be included in Morgan District’s Revenue Requirement because the Debt Service Coverage methodology allows for the recovery of the principal and interest payments.

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, Morgan District requested recovery of an allowance for

working capital that is equal to 120 percent of its average annual principal and debt payments at the time of its application for a total of \$49,872.<sup>114</sup>

Following the Commission’s historic practice,<sup>115</sup> Commission Staff agrees with Morgan District’s methodology and determined an Additional Working Capital amount of \$49,878, as shown in the following table.

Average Annual Principal and Interest	\$ 249,388
Times: DSC Coverage Ratio	<u>120%</u>
Total Net Revenues Required	299,266
Less: Average Annual Principal and Interest Payments ( )	(249,388)
Additional Working Capital	<u>\$ 49,878</u>

The Commission finds Commission Staff’s proposed Additional Working Capital of \$49,878 should be included in Morgan District’s Revenue Requirement because the Additional Working Capital is a direct result of the calculated Annual Debt Principal and Interest payments.

### RATE DESIGN

Morgan District proposed to allocate its increase across the board.<sup>116</sup> Morgan District applied this across the board increase as no cost-of-service study (COSS) was performed.<sup>117</sup> Morgan District stated that a COSS was not completed as there had not

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<sup>114</sup> Application, Attachment 4, Schedule of Adjusted Operations, 4\_SAO\_With\_ Attachments, 4\_SAO\_With\_Attachments.pdf, Revenue Requirements Table.

<sup>115</sup> Case No. 2022-00431, *Electronic Application of Letcher County Water and Sewer District for a Rate Adjustment Pursuant To 807 KAR 5:076* (Ky. PSC Nov. 17, 2023). Case No. 2023-00154, *Electronic Application of Harrison County Water Association, Inc. For An Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024). Case No. 2023-00182, *Electronic Application of Western Mason County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 4, 2024).

<sup>116</sup> Application, Attachment 1, 1\_Customer\_Notice.pdf.

<sup>117</sup> Morgan District’s Response to Staff’s Second Request, Item 17a, 17b, and 17c.

been any material change in its water system to warrant a COSS.<sup>118</sup> Commission Staff agreed with this allocation method and used it to allocate its recommended \$774,616 increase.

The Commission finds that the allocation of a revenue increase 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. In the Commission Staff's Report, Commission Staff followed the method proposed by Morgan District and allocated Commission Staff's calculated revenue increase across the board to Morgan District's monthly retail water service rates.

In its motion for emergency interim rate increase, Morgan District requested that the Commission implement a three-year phase-in of the overall increase.<sup>119</sup> Having considered the evidence and the percentage of rate increase, the Commission denies a three-year phase-in implementation to reduce the impact of the increase on Morgan District's customers. Morgan District has not demonstrated a need for a three-year phase-in of rates or that its customers will be negatively impacted by the overall percentage increase.

The Commission issued an Order on July 26, 2024, authorizing Morgan District to implement emergency rates on an interim basis, an immediate increase of approximately 25.3 percent.<sup>120</sup> Subsequently, the Commission issued an Order allowing the district to

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<sup>118</sup> Morgan District's Response to Staff's First Request, Item 11.

<sup>119</sup> Morgan District's Motion for Emergency Interim Rate Increase (filed Mar. 22, 2024). In addition, the application filed prior to the motion did not request a phased in rate.

<sup>120</sup> Order (Ky. PSC July 26, 2024) at 9.

implement rates at such time as the billing software allowed.<sup>121</sup> The rates calculated and set forth in Appendix B will recover an additional 14.98 percent, for a total increase of 41.17 percent, which will produce sufficient revenues from water sales to recover the \$2,655,957 Revenue Required from Water Sales.

Using the rates that were in effect at the time of Morgan District's filing, the emergency interim rates will increase a typical residential customer's monthly water bill from \$43.99, to \$55.08, an increase of \$11.09, or approximately 25.20 percent. The rates contained in Appendix B to this report will increase a typical residential customer's monthly water bill from the emergency interim rates from \$55.08 to \$62.00, an increase of \$6.92, or approximately 12.56 percent.<sup>122</sup> Therefore, overall, Commission Staff's recommended increase will increase a typical customer's bill from \$43.99 to \$62.00, an increase of \$18.01, or approximately 40.93 percent increase.

The Commission finds that these rates are fair, just and reasonable and the rates in Appendix B should be implemented.

Nonrecurring Charges. Following the Commission's recent decisions,<sup>123</sup> Commission Staff reviewed Morgan District's Nonrecurring Charges. The Commission has found that, because district personnel are currently paid during normal business hours, estimated labor costs previously included in determining the amount of

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<sup>121</sup> Order (Ky. PSC Sept. 16, 2024) at 2–3.

<sup>122</sup> The average usage for a residential customer is 3,020 gallons.

<sup>123</sup> Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020); Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020); Case No. 2020-00196, *Electronic Application of West Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020); and Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020).

Nonrecurring Charges should be eliminated from the charges. Commission Staff reviewed the cost justification information provided by Morgan District and have adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs. Such adjustments result in the Nonrecurring Charges shown in Appendix A.

The adjustments to the Nonrecurring Charges result in a decrease in Miscellaneous Service Revenue of \$6,742 as shown below. The Commission finds that the revised Nonrecurring Charges recommended by Commission Staff are approved because they are supported by the expenses contained in the cost justification sheets and reflect appropriate recovery for expenses related to each charge.

Description	Occurrences	Current Charge	Revised Charge	Adjustment	Pro Forma
Disconnection Charge	404	\$45.00	\$25.00	\$ (8,072)	\$ 10,100
Reconnection Charge	398	\$17.40	\$20.00	1,037	7,960
Reconnection Charge (After Hours)	3	\$80.00	\$60.00	(60)	180
Returned Payment Charge	31	\$2.00	\$15.00	403	465
Service Call/Investigation	10	\$17.40	\$21.00	-	210
Service Call/Investigation (After Hours)	3	\$80.00	\$61.00	-	183
Meter Test Request	2	\$35.40	\$21.00		42
Pro Forma Test Year NRC Revenue					19,140
Less: Test Year NRC Revenue					25,882
Adjustment					<u>\$ (6,742)</u>

In addition to its Nonrecurring Charges, Morgan District provided updated cost justification sheets for their Meter Tap-On Fees for its 3/4 x 5/8-Inch meter sizes. The updated cost justification sheets support a tap-on fee of \$1,340 and not the \$1,255 proposed by Morgan District, which is a decrease from its current tap-on fee of \$1,450.

The Commission finds that the decrease is approved as it is supported by the expenses contained in the cost justification sheets.

## INVESTIGATION INTO ALLEGED VIOLATIONS

In the Commission Staff's Report, Commission Staff noted serious concerns regarding Morgan District's accounting records along with difficulty tracing and reviewing transactions to determine their purpose and appropriateness. Additionally, the Commission previously noted concerns over use of Morgan District's funds for personal use without evidence of reimbursement and adding positions that it cannot afford.<sup>124</sup> Morgan District reported a 32.4487 percent water loss in its 2022 Annual Report<sup>125</sup> and a 34.0519 percent water loss in its 2023 Annual Report.<sup>126</sup> Therefore, the Commission finds that a separate proceeding should be established to investigate Morgan District's financial and operating capacity, accounting, water loss, and its ability to provide adequate, safe service to customers. Each current commissioner and current general manager should be named as parties. Additionally, the Commission finds that the record of this proceeding should be incorporated by reference in that matter in order to reduce the filing of duplicative information.

### SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission Staff's Report are supported by the evidence of record, are reasonable and should be accepted. By applying the DSC method to Morgan District's pro forma operations, it results in an Overall Revenue Requirement of \$2,712,545 and that a \$774,616 revenue

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<sup>124</sup> Order (Ky. PSC July 26, 2024) at 9.

<sup>125</sup> 2022 Annual Report at 57.

<sup>126</sup> 2023 Annual Report at 57.

increase, or 41.17 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement. The Commission finds that, as a result of this overall required revenue increase, Morgan District will not be obligated to calculate any refunds based on the emergency rate Order.

IT IS THEREFORE ORDERED that:

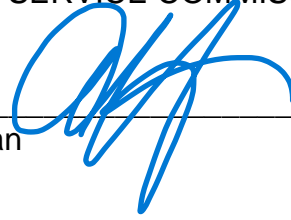
1. The recommendations contained in the Commission Staff's Report, are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Morgan District are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Morgan District starting the next full billing cycle after the date of this Order.
4. Within 20 days of the date of service of this Order, Morgan District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.
5. The record of this proceeding shall be incorporated by reference into the record of Case No. 2024-00325.<sup>127</sup>
6. A copy of this Order shall be placed in the case file of Case No. 2024-00325.
7. This case is closed and removed from the Commission's docket.

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<sup>127</sup> Case No. 2024-00325, *Investigation into the Financial and Operating Capacity of Morgan County Water District*.

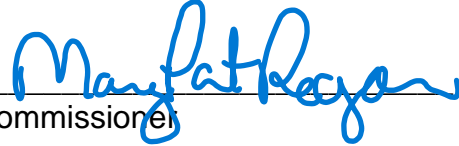
PUBLIC SERVICE COMMISSION

Chairman



Commissioner

Commissioner



Commissioner John Will Stacy did not participate in the deliberations or decision concerning this case.



ATTEST:



Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00010 DATED OCT 25 2024

\* Denotes Rounding

**Nonrecurring Charges Adjustments**

<b>Disconnection Charge</b>			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ 4.00	\$ 4.00	
Field Labor	\$ 25.00	\$ -	
Office Supplies	\$ 1.00	\$ 1.00	
Office Labor	\$ 25.00	\$ -	
Transportation	\$ 20.00	\$ 20.00	
Misc.	\$ -	\$ -	
<b>Total Revised Charge*</b>	<b>\$ 75.00</b>	<b>\$ 25.00</b>	
Current Rate	\$45.00		

<b>Service Call/Investigation (After Hours)</b>			
	Utility Revised Charge	Staff Revised Charge	
Field Materials			
Field Labor	\$ 40.00	\$ 40.00	
Office Supplies	\$ 1.00	\$ 1.00	
Office Labor	\$ 40.00	\$ -	
Transportation	\$ 20.00	\$ 20.00	
Misc.	\$ -	\$ -	
<b>Total Revised Charge*</b>	<b>\$ 101.00</b>	<b>\$ 61.00</b>	
Current Rate	\$80.00		

<b>Meter Test Request</b>			
	Utility Revised Charge	Staff Revised Charge	
Field Materials			
Field Labor	\$ 50.00	\$ -	
Office Supplies	\$ 1.00	\$ 1.00	
Office Labor	\$ 25.00	\$ -	
Transportation	\$ 20.00	\$ 20.00	
Misc.	\$ -	\$ -	
<b>Total Revised Charge*</b>	<b>\$ 96.00</b>	<b>\$ 21.00</b>	
Current Rate	\$35.40		

<b>Reconnection Charge (After Hours)</b>			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor	\$ 40.00	\$ 40.00	
Office Supplies	\$ -	\$ -	
Office Labor	\$ 40.00	\$ -	
Transportation	\$ 20.00	\$ 20.00	
Misc.	\$ -	\$ -	
<b>Total Revised Charge</b>	<b>\$ 100.00</b>	<b>\$ 60.00</b>	
Current Rate	\$80.00		

<b>Reconnection Charge</b>			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	25.00	\$ -
Office Supplies	\$	-	\$ -
Office Labor	\$	25.00	\$ -
Transportation	\$	20.00	\$ 20.00
Misc.	\$	-	\$ -
<b>Total Revised Charge</b>	<b>\$</b>	<b>70.00</b>	<b>\$ 20.00</b>
Current Rate	\$	17.40	

<b>Returned Check Charge</b>			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	-	\$ -
Office Supplies	\$	-	\$ -
Office Labor	\$	25.00	\$ -
Transportation	\$	-	\$ -
Misc. (Bank Charge)	\$	15.00	\$ 15.00
<b>Total Revised Charge</b>	<b>\$</b>	<b>40.00</b>	<b>\$ 15.00</b>
Current Rate	\$	2.00	

<b>Service Call/Investigation</b>			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	25.00	\$ -
Office Supplies	\$	1.00	\$ 1.00
Office Labor	\$	25.00	\$ -
Transportation	\$	20.00	\$ 20.00
Misc.	\$	-	\$ -
<b>Total Revised Charge*</b>	<b>\$</b>	<b>71.00</b>	<b>\$ 21.00</b>
Current Rate	\$	17.40	

<b>Tap-On Fee (5/8-Inch x 3/4-Inch Meter)</b>			
	Utility Revised Charge		Staff Revised Charge
Materials Expense	\$	876.08	\$ 876.08
Service Pipe Expense	\$	11.25	\$ 11.25
Installation Labor	\$	187.50	\$ 187.50
Installation Equipment	\$	165.25	\$ 165.25
Installation Misc.	\$	75.00	\$ 75.00
Overhead	\$	-	\$ -
Administrative	\$	25.00	\$ 25.00
<b>Total Revised Charge*</b>	<b>\$</b>	<b>1,340.08</b>	<b>\$ 1,340.08</b>
Current Rate	\$	1,450.00	

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00010 DATED OCT 25 2024

The following rates and charges are prescribed for the customers in the area served by Morgan County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of the Order.

Monthly Water Rates

5/8- x 3/4-Inch Meter

First	2,000	gallons	\$ 44.97	Minimum bill
Next	3,000	gallons	0.01669	per gallon
Next	5,000	gallons	0.01550	per gallon
Next	5,000	gallons	0.01432	per gallon
All Over	15,000	gallons	0.01309	per gallon

1-Inch Meter

First	5,000	gallons	\$ 95.41	Minimum bill
Next	5,000	gallons	0.01550	per gallon
Next	5,000	gallons	0.01432	per gallon
All Over	15,000	gallons	0.01309	per gallon

2-Inch Meter

First	15,000	gallons	\$ 242.71	Minimum bill
All Over	15,000	gallons	0.01309	per gallon

6-Inch Meter

First	100,000	gallons	\$1,359.49	Minimum bill
All Over	100,000	gallons	0.01309	per gallon

4-Inch Meter Wholesale \$0.00638 per gallon

Nonrecurring Charges

Disconnection Charge	\$25.00
Reconnection Charge	\$20.00
Reconnection Charge (After Hours)	\$60.00
Returned Payment Charge	\$15.00
Service Call/Investigation	\$21.00
Service Call/Investigation (After Hours)	\$61.00
Meter Test Request	\$21.00
Tap On Fee – 3/4 x 5/8-Inch Meter	\$1,340.00

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