

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MCCREARY	)	
COUNTY WATER DISTRICT FOR AN	)	CASE NO.
ADJUSTMENT OF WATER RATES PURSUANT	)	2025-00136
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 June 9, 2025, the attached report containing the recommendations of Commission Staff (Staff) regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's June 9, 2025 Order, McCreary County Water District (McCreary District) is required to file written comments regarding the recommendations of Staff no later than 14 days from the date of service of this report. The Commission directs McCreary District to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission.



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

DATED **OCT 15 2025**

cc: Parties of Record

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

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COMMISSION STAFF'S REPORT
ON MCCREARY COUNTY WATER DISTRICT

McCreary County Water District (McCreary District) is a water and sewer utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water service to approximately 5,786 residential customers, 249 commercial customers, 6 industrial customers and 244 public authority that reside in McCreary County, Kentucky.¹ McCreary District's sewer division owns and operates sewage facilities in McCreary County, Kentucky, that serve approximately 1,019 residential customers, 181 commercial customers, 5 industrial customers, and 100 public authorities.²

Pursuant to Section 4 or 807 KAR 5:006, utilities are required to file annual reports for the prior calendar year by March 31. McCreary District's 2023 Annual Report for Water was filed on May 24, 2024. On March 13, 2025, McCreary District submitted a request

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

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

for an extension of time to submit its annual reports for the year ending December 31, 2024.³ On March 18, 2025, Commission granted this request and authorized McCreary District to submit its annual reports no later than May 30, 2025.⁴

On May 16, 2025, McCreary District concurrently filed two applications with the Commission requesting an adjustment to its water service rates and its sewer rates⁵ pursuant to 807 KAR 5:076. Given the request and granting of the extension referenced above, to comply with the requirements of Section 9 of 807 KAR 5:076⁶ McCreary District used the calendar year ended December 31, 2023, as the basis for its water service rate application. The application was filed pursuant to the Commission's Order in Case No. 2022-00009, which required McCreary District to file an application for an adjustment of its base rates for its water and sewer divisions by July 27, 2025,⁷ which would have been within three years of the issuance of the final Order in Case No. 2021-00301.⁸ McCreary District's last base rate increase pursuant to the alternative rate filing procedure was in

³ Application, Application_Sewer.pdf, at 5, Addendum to Application, Exhibit 1 to addendum to application.

⁴ Application, Application_Sewer.pdf, at 5, Addendum to Application, Exhibit 2 to addendum to application.

⁵ Case No. 2025-00135, *Electronic Application of McCreary County Water District for an Adjustment of Sewer Rates Pursuant to 807 KAR 5:076*.

⁶ 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.

⁷ Case No. 2022-00009, *Electronic Application of McCreary County Water District to Issue Securities in the Approximate Principal Amount of \$3,450,000 for the Purpose of Refinancing Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001*, (Ky. PSC Mar. 16, 2022), at 8, ordering paragraph 6.

⁸ Case No. 2021-00301, *Electronic Application of McCreary County Water District for an Alternative Rate Adjustment* (Ky. PSC July 27, 2022).

Case No. 2021-00301.⁹ Since that matter, McCreary District has not sought to adjust its rates. To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated June 9, 2025.

McCreary District responded to three requests for information from Staff,¹⁰ as well as filed two supplemental Response to Staff's First Request.¹¹ One public comment was filed that objected to McCreary District's requested increase in rates due to waste and a failure to do preventative maintenance.¹²

UNACCOUNTED-FOR WATER LOSS

The Commission notes that in its 2023 Annual Report, McCreary District recorded a water loss of 13.3736 percent.¹³ McCreary District produces 100 percent of its water.¹⁴ 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 McCreary District is \$76,130.

⁹ Case No. 2021-00301, *Electronic Application of McCreary County Water District for an Alternative Rate Adjustment* (Ky. PSC July 27, 2022).

¹⁰ McCreary District's Response to Staff's First Request for Information (Staff's First Request) (filed July 14, 2025); McCreary District's Response to Staff's Second Request for Information (Staff's Second Request) (filed Aug. 21, 2025); McCreary District's Response to Staff's Third Request for Information (Staff's Third Request) (filed Sept. 2, 2025).

¹¹ McCreary District's First Supplemental Response to Staff's First Request (filed Sept 1, 2025). McCreary District's Second Supplemental Response to Staff's First Request (filed Oct. 2, 2025).

¹² 20250522_Response E-Mail to Kevin D. Tucker.pdf.

¹³ 2023 Water Division Annual Report at 57.

¹⁴ 2023 Water Division Annual Report at 57.

Total Water Loss	Purchased		Total
	Power	Chemicals	
Pro Forma Purchases	\$ 388,926	\$ 180,331	\$ 569,257
Water Loss Percent	13.3736%	13.3736%	13.3736%
Total Water Loss	\$ 52,013	\$ 24,117	\$ 76,130

DISCUSSION

Using its pro forma test-year operations, McCreary District determined that a base rate revenue increase of \$749,573, or 16.40 percent,¹⁵ was necessary to achieve the revenue requirement as shown in the table below.¹⁶

Description	McCreary District
Pro Forma Operating Expenses	\$ 4,798,589
Average Annual Principal and Interest Payments	649,110
Additional Working Capital at 20%	129,822
Total Revenue Requirement	5,577,521
Other Revenue ()	(205,577)
Interest Income ()	(41,486)
Revenue Required From Water Sales	5,330,458
Revenue from Sales at Present Rates ()	(4,580,885)
Required Revenue Increase / (Decrease)	\$ 749,573
Percentage Increase / (Decrease)	16.40%

To determine the reasonableness of the rates requested by McCreary District, Staff performed a limited review of McCreary District's test-year operations. The scope of

¹⁵ McCreary District rounded the Percentage Increase to 16.40 Percent. The unrounded amount is 16.36 percent.

¹⁶ Application, Application_Water.pdf, Exhibit C, Revenue Requirements Water Division Table.

Staff's review was limited to determining whether operations recorded for the test year were representative of normal operations. Known and measurable¹⁷ 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.

Staff's recommendations are summarized in this report. William Foley reviewed the calculation of McCreary District's Overall Revenue Requirement, and Manuel Jerez Tamayo reviewed McCreary District's recorded revenues and rate design.

SUMMARY OF RECOMMENDATIONS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Staff determined that McCreary District's Revenue Required from Water Sales is \$5,166,389 to meet the Total Revenue Requirement of \$5,584,817 and that a \$585,504 revenue increase, or 12.78 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. In its application, McCreary District proposed to increase its monthly water service rates by 16.36 percent to all its water customers across the board and requested that the rates be implemented in two phases. Phase

¹⁷ 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).

One would be effective upon approval by the Commission and Phase Two would take effect one year after Phase One becomes effective.¹⁸ McCreary District commissioned a cost of service study (COSS) as part of its application. After reviewing the study's findings, McCreary District's board of commissioners determined that the existing rate design (across-the-board increase) was more equitable and reasonable for McCreary District's customers than the design that was recommended by the COSS.¹⁹ McCreary District provided a copy of the most recent COSS performed for its system.²⁰ When a utility performs a COSS, and the study does not vary significantly from an across the board increase, Staff recommends using the COSS as it reflects the actual allocation of costs toward customer classes. McCreary District stated that the COSS would disproportionately affect lower income retail customers who use less than 3,000 gallons per month.²¹ Refer to the table below for more information on the average bill impact.

¹⁸ Application, Exhibit B (filed June 17, 2025).

¹⁹ McCreary District's Response to Staff's First Request, Item 16a.

²⁰ McCreary District's Response to Staff's First Request, Item 16d.

²¹ McCreary District's Response to Staff's Third Request, Item A-3-2.

Across the Board					Cost of Service Study		
Gallons per Month	Existing Bill	McCreary Proposed	Inc / (Dec)	%	Staff Calculated	Staff Inc / (Dec) v. Existing	%
2,000	\$24.42	\$28.42	\$4.00	16.40%	\$32.22	\$7.80	31.94%
4,000	\$44.50	\$51.80	\$7.30	16.40%	\$49.04	\$4.54	10.20%
6,000	\$64.58	\$75.17	\$10.59	16.40%	\$65.86	\$1.28	1.98%
8,000	\$84.66	\$98.54	\$13.88	16.40%	\$82.68	(\$1.98)	-2.34%
10,000	\$104.74	\$121.92	\$17.18	16.40%	\$99.50	(\$5.24)	-5.00%
15,000	\$154.94	\$180.35	\$25.41	16.40%	\$141.55	(\$13.39)	-8.64%
20,000	\$205.14	\$238.78	\$33.64	16.40%	\$183.60	(\$21.54)	-10.50%
50,000	\$506.34	\$589.38	\$83.04	16.40%	\$435.90	(\$70.44)	-13.91%
<u>Cumberland Falls State Park</u>							
700,000	\$5,537.98	\$6,446.21	\$908.23	16.40%	\$6,900.54	\$1,362.56	24.6%
<u>Federal Correctional Facility</u>							
9,500,000	\$75,075.93	\$87,388.38	\$12,312.45	16.40%	\$93,492.54	\$18,416.61	24.5%
<u>Wholesale Customers</u>							
350,000	\$2,765.00	\$3,218.46	\$453.46	16.40%	\$3,444.00	\$679.00	24.6%

The development of a COSS to establish utility rates is the most fair, just and reasonable method to ensure each customer category is charged for services based on the cost to serve that particular cost of service. While some deviation may be appropriate if the cost to serve has changed across the customer classes, or for other specific community or customer needs, McCreary District has the burden of proof to demonstrate that a rate design significantly different than the COSS is appropriate. Staff recognizes that there is a larger unfavorable impact on retail customers who only use the monthly minimum water usage when employing the COSS to establish the rates compared to an across-the-board increase. However, utilizing the COSS to calculate rates is the appropriate manner to establish fair, just and reasonable rates that yield sufficient revenues. The rates calculated by the COSS also remove any subsidization between rate classes that were present between the retail and wholesale customers. Staff allocated the \$585,504 revenue increase by employing the same method as the COSS

provided by McCreary District. Staff agrees with implementing the existing rate design recommended by the COSS but does not believe that implementing a phase in for a 12.78 percent increase is necessary. The rates provided in Appendix B to this report are based upon the revenue requirement, as calculated by Staff, and will produce sufficient revenues from water sales to recover the \$5,166,389 revenue required from rates, which results in an approximately 12.78 percent increase. The monthly water bill for a typical Residential/Nonresidential customer using approximately 3,753 gallons per month²² will increase by \$4.94 from \$42.02 to \$46.96 or approximately 11.76 percent, which is lower than the approximate 12.78 percent increase due to cost allocations from the COSS.

3. Nonrecurring Charges. Following the Commission's recent decisions, Staff reviewed McCreary 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 eliminated from the charges as those expenses are already recovered in base rates.²³ Adjustments to Nonrecurring Charges related to utility staff activities during regular business hours were performed during McCreary District's most recent tariff case in 2022.²⁴ In that matter, Staff reviewed and adjusted McCreary

²² Application, Exhibit K, Customer Notice (the average Residential/Nonresidential customer uses 3,753 gallons per month).

²³ 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).

²⁴ Case No. 2022-00336, *Electronic Tariff Filing of McCreary County Water District*, Final Order (Ky. PSC Mar. 22, 2023) at 3.

District's Nonrecurring Charges by removing the Field Labor Costs and the Office/Clerical Labor Costs from those charges that occurred during normal business hours, as well as removed the Office/Clerical Labor Costs from the After-Hours Reconnection Charge, as office labor is typically performed during normal business hours.

In support of this application, McCreary District provided cost justification information for the Nonrecurring Charges²⁵ as well as the number of occurrences for each of its Nonrecurring Charges.²⁶ The Connection/Turn-On Charge, Termination Charge, Reconnection Charge, Meter Reread, Service Call/Investigation, and Meter Test Request all increased \$6.50, from \$12.50 to \$19.00 due to increased transportation costs and office supply expenses, as shown in the cost justification provided.²⁷ The Connection/Turn-On Charge (After Hours), Reconnection Charge (After Hours), and Service Call/Investigation (After Hours) all increased \$12.00, from \$50.00 to \$62.00 due to increased transportation costs, office supply expenses, and field labor costs. The Returned Check Charge increased \$0.50, from \$8.50 to \$9.00 as the result of rounding. Staff recommends that the Commission accept the respective adjustments for the charges mentioned above, as these were supported by McCreary District in the cost justification provided,²⁸ and the amounts meet the ratemaking criteria of being known and measurable.

²⁵ McCreary District's Response to Staff's First Request, Item 19.

²⁶ McCreary District's Response to Staff's First Request, Item 18.

²⁷ McCreary District's Response to Staff's First Request, Item 19.

²⁸ McCreary District's Response to Staff's First Request, Item 19.

McCreary District's sewer division does not assess a Returned Check Fee. The water division assesses a Returned Check Fee for all dishonored payments. If a check for payment for water and sewer is dishonored, one half of the Returned Check Fee is required to be allocated to the Sewer Division, thus necessitating an adjustment to properly allocate the revenue.²⁹ McCreary District's water division recorded 14 returned check occurrences³⁰ totaling \$126 of which half, or \$63 should be allocated to the sewer division, resulting in \$63 for the water division.

The cost justification information, shown in Appendix A, was provided by McCreary District and supports Staff's adjustments to the Nonrecurring Charges. The adjustments discussed above result in the following revised Nonrecurring Charges:

Charge	Current Charge	Revised Charge
Connection / Turn-on Charge	\$12.50	\$19.00
Connection / Turn-on Charge After Hrs.	\$50.00	\$62.00
Termination Charge	\$12.50	\$19.00
Reconnection Fee	\$12.50	\$19.00
Reconnection Fee After Hrs.	\$50.00	\$62.00
Meter Reread	\$12.50	\$19.00
Service Call / Investigation	\$12.50	\$19.00
Service Call / Investigation After Hrs.	\$50.00	\$62.00
Meter Test Request	\$12.50	\$19.00
Returned Check Charge	\$8.50	\$9.00

The adjustments to the Nonrecurring Charges result in an increase in Miscellaneous Services Revenues of \$5,971 as shown below.

²⁹ Case 2025-00135, McCreary District's Response to Staff's First Request, Item 18.

³⁰ McCreary District's Response to Staff's First Request, Item 18.

Charge	Occurrences	Current Charge	Revised Charge	Adjustment	Pro Forma
Connection / Turn-on Charge	674	\$12.50	\$19.00	\$ 2,506	\$ 12,806
Connection / Turn-on Charge After Hrs.	0	\$50.00	\$62.00	-	-
Termination Charge	235	\$12.50	\$19.00	3,402	4,465
Reconnection Fee	0	\$12.50	\$19.00	-	-
Reconnection Fee After Hrs.	0	\$50.00	\$62.00	-	-
Meter Reread	0	\$12.50	\$19.00	-	-
Meter Relocate		Actual Cost	Actual Cost	-	7,371
Service Call / Investigation	0	\$12.50	\$19.00	-	-
Service Call / Investigation After Hrs.	0	\$50.00	\$62.00	-	-
Meter Test Request	0	\$12.50	\$19.00	-	-
Returned Check Charge	14	\$8.50	\$9.00	63	63
Service Line Cost Estimate Charge	39	Actual Cost	Actual Cost	-	975
Pro Forma Test Year NRC Revenue				<u>\$ 5,971</u>	25,680
Less: Test Year NRC Revenue ()					(19,709)
Adjustment					<u>\$ 5,971</u>

PRO FORMA OPERATING STATEMENT

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

Description	Test Year	McCreary District Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	(Ref)	Pro Forma
Operating Revenues						
Metered Sales to Residential Customers	\$ 2,847,130	\$ 124,160	\$ -	\$ 124,160	(A)	\$ 2,971,290
Metered Sales to Commercial Customers	289,375			-		289,375
Metered Sales to Industrial Customers	67,410			-		67,410
Metered Sales to Public Authorities Customers	1,252,810			-		1,252,810
Other Revenues						
Miscellaneous Service Revenues	147,599	-	(17,106)	(17,106)	(B)	130,493
Rents from Water Property	57,978			-		57,978
Total Other Revenues	205,577	-	(17,106)	(17,106)		188,471
Total Operating Revenues	4,662,302	124,160	(17,106)	107,054		4,769,356
Operation and Maintenance						
Salaries and Wages - Employees	1,030,049	156,421	199,278	355,699	(C)	
		(13,920)	(233)	(14,153)	(D)	1,371,595
Salaries and Wages - Officers	153,654	47,858	(176,669)	(128,811)	(E)	24,843
Employee Benefits	251,838	34,449	66,855	101,304	(F)	353,142
Employee Pensions	200,090		80,778	80,778	(G1)	
		38,388	(109,145)	(70,757)	(G2)	
			13,011	13,011	(G3)	223,122
Purchased Power	388,926			-		388,926
Chemicals	180,331			-		180,331
Materials and Supplies	350,321	(32,480)	(543)	(33,023)	(D)	
		-	(63,056)	(63,056)	(H)	254,242
Contractual Services-Acct.	39,700			-		39,700
Contractual Services-Legal	21,144			-		21,144
Contractual Services-Management Fees	1,608			-		1,608
Contractual Services-Water Testing	1,472			-		1,472
Contractual Services-Other	382,889			-		382,889
Transportation Expenses	131,475			-		131,475
Insurance - General Liability & Other	25,786			-		25,786
Insurance - Workers Comp.	24,948			-		24,948
Insurance - Other	47,598			-		47,598
Advertising	16,581			-		16,581
Miscellaneous	142,283			-		142,283
Total	3,390,693	230,716	10,276	240,992		3,631,685
Amortization	1,084	2,898	5,977	8,875	(I)	9,959
Depreciation Expense	1,088,577	(21,559)	29,344	7,785	(J)	
			2,358	2,358	(K)	
			3,164	3,164	(H)	1,101,884
Taxes Other Than Income	95,022	11,159	1,729	12,888	(L)	107,910
Amortization of Utility Plant Acquisition Adjustment	32,303	(32,303)	-	(32,303)	(M)	-
Total Operating Expenses	4,607,679	190,911	52,848	243,759		4,851,438
Net Operating Income	54,623	(66,751)	(69,954)	(136,705)		(82,082)
Interest Income	41,486	-	-	-		41,486
Income Available to Service Debt	\$ 96,109	\$ (66,751)	\$ (69,954)	\$ (136,705)		\$ (40,596)

(A) Billing Analysis. McCreary District proposed an adjustment of \$124,160 due to a water rate increase effective June 26, 2023. This adjustment will increase the amount indicated in the billing analysis. Staff reviewed the submitted billing analysis and had no adjustment. Staff agrees with McCreary District's proposed adjustment and recommends

the Commission accept the adjustment as the amount meet the rate making criteria of being known and measurable.

(B) Other Water Revenues – Miscellaneous Service Revenues. During the test year, McCreary District recorded \$147,599 for Miscellaneous Service Revenues. Miscellaneous Service Revenues are composed of three subparts; Forfeited Discounts, Nonrecurring Charges, and Other Revenues.

Forfeited Discounts. In the application, McCreary District recorded \$26,117 for Forfeited Discounts, as part of Miscellaneous Service Revenue.³¹ McCreary District stated that during 2023 it transitioned to a new billing system and experienced billing and recording issues and that the recorded other revenues could be inconsistent with actual amounts.³² McCreary District reported 8,618 occurrences and \$60,919 in revenue.³³ In order to account for all the late fees collected that were not properly recorded as a result of the billing software transition, Staff increased Forfeited Discounts by \$34,802,³⁴ to match the total late fees reported during the test year of \$60,919.

Nonrecurring Charges. In the application, McCreary District included \$19,709 Nonrecurring Charges as part of Miscellaneous Service Revenues \$147,599.³⁵ If a check for payment for water and sewer service is dishonored, one-half of the Return Check Fee is required to be allocated to the water division and one half is required to be allocated to

³¹ McCreary District's Response to Staff's First Request, Item 5.

³² McCreary District's Response to Staff's First Request, Item 18.

³³ McCreary District's Response to Staff's First Request, Item 17.

³⁴ \$60,919 total amount collected less \$26,117 Total amount recorded = \$34,802 total amount needed to record the total amount collected.

³⁵ McCreary District's Response to Staff's First Request, Item 5.

the sewer division.³⁶ The Commission adjusted McCreary District's Nonrecurring Charges in its last rate case to remove normal business hour Field Labor and Office/Clerical labor costs.³⁷ Based on the additional changes discussed in the Nonrecurring Charges section above, Staff determined that pro forma Nonrecurring Charges should be \$25,677. To achieve the Staff's pro forma Nonrecurring Charges, Staff increased McCreary District's Nonrecurring Charges by \$5,971.

Other Revenues. In the application, McCreary District included \$101,773 of Other Revenues as part of Miscellaneous Service Revenues \$147,599.³⁸ Staff reviewed the components and made adjustments to decrease the amount by \$57,879 for items that will not recur as shown in the table below.

³⁶ Case No. 2025-00135, McCreary District's Response to Staff's First Request, Item 18.

³⁷ Case No. 2021-00301, *Electronic Application of McCreary County Water District for an Alternative Rate Adjustment* (Ky. PSC July 27, 2025), Order at 12.

³⁸ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations.

	Test Year	McCreary District - Water Proposed Adjustments	Staff Adjustments	Total Adjustments	Pro Forma
<i>Miscellaneous Service Revenues</i>					
Forfeited Discounts	\$ 26,117	\$ -	\$ 34,802	\$ 34,802	\$ 60,919
<i>Nonrecurring Charges</i>					
Total Nonrecurring Charges	19,709	-	5,971	5,971	25,680
<i>Other Revenues</i>					
Bad Debt Collection	4,594	-	-	-	4,594
Contract	8,950	-	-	-	8,950
Testing Fees Assessed to Fibrivet	29,984	-	-	-	29,984
Miscellaneous Income	2,273	-	(2,273)	(2,273)	-
Miscellaneous Water Sales	83	-	-	-	83
Capital Credit Refund	5,113	-	(5,113)	(5,113)	-
Scrap Metal Refund	10,602	-	(10,602)	(10,602)	-
KLC Safety Award	1,500	-	(1,500)	(1,500)	-
Fuel Tax Refund	283	-	-	-	283
Insurance Refund	1,179	-	(1,179)	(1,179)	-
Miscellaneous Adjustments Because of Change in Billing Programs	37,212	-	(37,212)	(37,212)	-
Total Miscellaneous Service Revenues	101,773	-	(57,879)	(57,879)	43,894
Total Other Revenues	\$ 147,599	\$ -	\$ (17,106)	\$ (17,106)	\$ 130,493

The net effect of the above adjustments results in a pro forma Miscellaneous Service Revenues of \$130,490, as shown in the following table, which is a net decrease of \$17,109 to McCreary District's test-year amount of \$147,599.

Staff recommends the Commission accept Staff's increase to Miscellaneous Service Revenues for the adjustments made to Forfeited Discounts because the amount accounts for all late fees recorded during the test year that may have been lost during the transition to the new system. Staff also recommends the Commission accept Staff's adjustment to Miscellaneous Service Revenues from increasing Nonrecurring Charges as well as decreasing Other Revenues by the amount that will not recur because the amounts meet the ratemaking criteria of being known and measurable.

(C) Salaries and Wages – Employees. McCreary District recorded \$1,030,049 in salaries and wages during the test year and proposed one adjustments for wages.³⁹ McCreary District proposed an increase of \$154,421 to reflect changes in wage rates and the allocation of salaries from the sewer division to the water division.⁴⁰ During the test year, McCreary District stated it had 21 full-time and 9 part-time employees in its water division,⁴¹ although Staff determined these amounts included office staff for McCreary District, who are allocated between the water and sewer division. The total employees working strictly for the water division should have been 16 full-time and 5 part-time.⁴² McCreary District proposed to include a portion of salaries from its office staff in the water division. McCreary District proposed to use the number of customers to allocate these amounts.⁴³ Staff agrees with the methodology and assigned 82.81 percent of office staff and 100 percent of the water wages to the water division. McCreary District stated full-time employees worked 2,080 regular time hours annually.⁴⁴ Staff used the test-year information to determine the average hours worked by part-time employees.⁴⁵

³⁹ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations.

⁴⁰ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, Adjustment B.

⁴¹ McCreary District's Response to Staff's First Request, Item 6a.

⁴² McCreary District's Response to Staff's First Request, 1-6 Employee Information Excel Document, Current Employee Wage Rates Tab.

⁴³ McCreary District's Response to Staff's First Request, Rate Study Model Excel Document, Wages Tab.

⁴⁴ McCreary District's Response to Staff's First Request, Item 6b.

⁴⁵ Application, Application_Water, Rate Study Excel Document, Wages Tab.

Staff calculated McCreary District's pro forma salaries and wages for water is \$1,385,748, which results in an additional increase of \$199,278 as shown in the table below.

A Description	B Office Employees			D (B + C)	E Water Employees			H (D + G)
	Full Time	Part Time	Sub-Total		Full Time	Part Time	Sub-Total	
Non-Salary Employee Count	6	3	9		16	5	21	30
Normalized Hours	2,080.00	1,359.33			2,080.00	1,484.75		
Total Normalized Hours	12,480	4,078	16,558		33,280	7,424	40,704	57,262
Average Current Wage Rate	\$ 22.43	\$ 16.27			\$ 22.37	\$ 16.61		
Regular Hours Wages	\$ 279,864	\$ 66,349	\$ 346,213		\$ 744,515	\$ 123,294	\$ 867,809	\$ 1,214,022
Overtime Hours	834.00	59.00	893.00		2,543.50	322.00	2,865.50	3,758.50
Current Overtime Wage Rate	\$ 33.64	\$ 24.41			\$ 33.56	\$ 24.91		
Overtime Hours Wages	\$ 28,054	\$ 1,440	\$ 29,494		\$ 85,352	\$ 8,022	\$ 93,374	\$ 122,867
Non-Salary Total Wages	\$ 307,918	\$ 67,789	\$ 375,707		\$ 829,867	\$ 131,315	\$ 961,182	\$ 1,336,889
Salary Wages	136,992	-	136,992		-	-	-	136,992
Total Wages	\$ 444,910	\$ 67,789	\$ 512,699		\$ 829,867	\$ 131,315	\$ 961,182	\$ 1,473,881
Allocation Factor for Water	82.81%	82.81%	82.81%		100%	100%	100%	
Allocated Office Wages	\$ 368,430	\$ 56,136	\$ 424,566		\$ 829,867	\$ 131,315	\$ 961,182	\$ 1,385,748
Test Year ()								(1,030,049)
Total Adjustment								355,699
McCreary District Adjustment								(156,421)
Commission Staff Adjustment								\$ 199,278

Staff recommends the Commission accept Staff's adjustment to increase Salaries and Wages – Employees by \$355,699, as it is known and measurable change because it reflects the average test year hours and test-year hours at current average wage rates with current employees.

(D) Expenses Related to Meter Installations. In its application, McCreary District proposed an adjustment to decrease Salaries and Wages – Employees by \$13,920,⁴⁶ and Materials and Supplies by \$32,480,⁴⁷ to account for tap fee expenses that

⁴⁶ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, Adjustment C.

⁴⁷ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, Adjustment C.

were included as part of these expenses during the test year.⁴⁸ The USoA requires that costs, such as tap fee expenses, be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁴⁹ During the test year, McCreary District installed 57 new water connections,⁵⁰ and recorded \$46,465 in tap fees.⁵¹ During the test year, the charge for Tap-On Charges was \$800 for 5/8- x 3/4-Inch Meters.⁵² Staff recalculated the Normalized Tap Fees collected at the new rate to \$47,175, as shown in the following table.

Meter	Number of connections	Per Unit Cost	Revenue
5/8 X 3/4"	55	\$ 800	\$ 44,000
All Larger Meters	2	Actual cost	3,175
Total	<u>57</u>		<u>\$ 47,175</u>

Staff calculated a different amount for the adjustment. Staff calculated a decrease for Salaries and Wages – Employees of \$14,153, which is \$233 more than McCreary District’s proposal. Staff also calculated a decrease for Materials and Supplies of \$33,023, which is \$543 more than McCreary District’s proposed \$32,480; as shown in the following table.

⁴⁸ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, References, Adjustment C.

⁴⁹ USoA, Accounting Instruction 19 and 33.

⁵⁰ McCreary District’s Response to Staff’s First Request, Item 14a.

⁵¹ McCreary District’s Response to Staff’s First Request, item 3a, 1-3_GeneralLedgers-TrialBalances-CrossReference.xlsx, Account 432 Proceeds from Capital Contribut:SYSTEM CHARGE - TAP.

⁵² Canceled Tariff P.S.C. Ky. 4, Sheet No. 3 (issued Apr. 3, 2023), effective Mar. 22, 2023.

Description	Salaries and Wages	Materials and Supplies
Normalized Tap Fees Collected	\$ 47,175	\$ 47,175
Allocated Percentage	30%	70%
Commission Staff's Adjustment	(14,153)	(33,023)
McCreary District's Proposed Adjustment ()	13,920	32,480
Difference between Adjustments	\$ (233)	\$ (543)

Staff recommends the Commission accept Staff's adjustments to decrease Salaries and Wages – Employees by \$14,153 and decrease Materials and Supplies by \$33,023 because it reflects the proper accounting for the normalized water connection expenses according to the USoA.

(E) Salaries and Wages – Officers. In the application, McCreary District proposed an adjustment to increase Salaries and Wages - Officers by \$47,858,⁵³ due to an increase in wages and allocation of salaries to the water division.⁵⁴

McCreary District included office Employee's salaries in the Salaries and Wages – Officer's classification, in addition to McCreary District's commissioners' wages. Staff disagrees with the inclusion of office staff wages in Salaries and Wages – Officers and included the office employees' wages in the calculation of Salaries and Wages – Employees, leaving the Commissioners only in the Officers category.

⁵³ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, Adjustment D.

⁵⁴ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, References, Adjustment D.

McCreary District provided a list of the current commissioners and wages,⁵⁵ records authorizing the compensation,⁵⁶ as well as the training records.⁵⁷ Each commissioner receives \$6,000 annually.⁵⁸ Staff calculated a total Salaries and Wages – Officers’ expense of \$30,000, then Staff allocated the Commissioner’s salaries⁵⁹ based upon the number of customer percentage for an 82.81 percent allocation to water division. Staff calculated an allocated pro forma Salaries and Wages – Officers of \$24,843, which is \$128,811 less than the test year amount of \$153,654. The \$128,811 is \$176,669 less than McCreary District’s proposed \$47,858 increase, as shown in the following table.

Commissioners	Pro Forma Salaries
Randy Kidd	\$ 6,000
Doug Sexton	6,000
Mark Sumner	6,000
Coy Taylor	6,000
Raymond Taylor	6,000
Total	30,000
Water Allocation Factor	82.81%
Allocated to Water	24,843
Test Year ()	(153,654)
Adjustment	(128,811)
Proposed Adjustment ()	(47,858)
Difference	<u>\$ (176,669)</u>

⁵⁵ McCreary District’s Response to Staff First Request, Item 10a.

⁵⁶ McCreary District’s Response to Staff First Request, Item 10b, Attachment 1-10b1, page 1 of 7.

⁵⁷ McCreary District’s Response to Staff First Request, Item 10c.

⁵⁸ McCreary District’s Response to Staff First Request, Item 10a.

⁵⁹ McCreary District’s Response to Staff First Request, Item 10b, Attachment 1-10b1, page 1 of 7.

Staff recommends the Commission accept Staff's adjustment of a \$128,811 decrease to Salaries and Wages – Officers for an overall pro forma amount of \$24,843. This adjustment is appropriate because it reflects both the exclusion of office staff wages, which are included in Salaries and Wages above, and the allocation of commissioner salaries to the water division.

(F) Employee Benefits – Insurance Premiums. McCreary District pays 100 percent of the cost of the single plan for all regular, full-time employees regardless of plan (employee only, employee and spouse, employee and family).⁶⁰ In its application, McCreary District proposed to increase Employee Benefits by \$34,449⁶¹ due to an increase in monthly premiums and allocation of expenses to the water division.⁶² McCreary District proposed to allocate the insurance premiums between the water and sewer based on the total insurance paid during the test year.⁶³ Staff disagrees with the allocation methodology since McCreary District did not provide any justification for the test year amounts used to determine the proposed allocation percentages;⁶⁴ and recommends allocating the insurance premiums based upon the number of customers. Staff makes this recommendation since the allocation for all other employee related costs such as Employee Salaries and Wages Employees and Salaries and Wages – Officers

⁶⁰ McCreary District's Response to Staff's Second Request, Item 7.

⁶¹ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, Adjustment F.

⁶² Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, References, Adjustment F.

⁶³ Application, 002_RateStudy.xlsx, Medical Tab rows 62–64.

⁶⁴ McCreary District's Response to Staff's First Request, Rate Study Model Excel Document, Medical Tab, Cells E52, E53, and J52.

are based upon the number of customers; the Insurance allocation should be the same and be allocated based upon the number of customers.

As discussed above, McCreary District currently has 38 total employees,⁶⁵ the water division has 16 full-time employees,⁶⁶ the Sewer Division has 4 full-time employees,⁶⁷ and 6 full-time employees work for both the water and sewer divisions.⁶⁸ Using the most recent copies of its health, vision, dental, life, and disability insurance invoices and number of full-time employees, Staff calculated total current premiums for insurance benefits of \$410,904.⁶⁹ Using the number of customers, Staff then allocated the total cost by 82.81 percent for an allocated water division total of \$340,270, which is an increase of \$101,304 from McCreary District's test year amount of \$238,966. The adjustment is \$66,855 more than the proposed \$34,449, as shown in the table below.

⁶⁵ McCreary District's Response to Staff's First Request, item 6, 1-6_EmployeeInformation.xlsx, Employee Cross-Reference Tab.

⁶⁶ McCreary District's Response to Staff's First Request, item 6, 1-6_EmployeeInformation.xlsx, 1-6e_CurrentEmployeeWageRates Tab.

⁶⁷ Case No. 2025-00135, McCreary District's Response to Staff's First Request, Item 6, 1-6_EmployeeInformation.xlsx, 1-6e_CurrentEmployeeWageRates Tab.

⁶⁸ Case 2025-00135, McCreary District's Response to Staff's First Request, item 6, 1-6_EmployeeInformation.xlsx, 1-6e_CurrentEmployeeWageRates Tab.

⁶⁹ McCreary District's Response to Staff's First Request, Item 7c.

Type of Premium	Number of Employees	Employer Contributions
Employee Only	11	\$ 7,408
Employee Spouse	1	1,400
Employee Child	6	7,210
Family	7	14,881
FEBCO Administrative Fee	26	156
Dental	27	1,286
Vision	27	345
Life	27	405
Disability	27	1,151
Total Monthly Pro Forma Premium		34,242
Multiplied by: 12 Months		12
Total		410,904
Water Allocation Percentage		82.81%
Allocated to Water Division		340,270
Test Year ()		(238,966)
Staff's Net Adjustment		101,304
Proposed Adjustment ()		(34,449)
Difference		\$ 66,855

Staff recommends the Commission accept Staff's adjustment to increase Employee Benefits by \$101,304, which is \$66,855 more than McCreary District's proposed adjustment, to reflect the annualization of current insurance premiums allocated to the water division.

(G) Employee Pensions – CERS. McCreary District participates in the County Employee Retirement System (CERS),⁷⁰ which is managed by the Kentucky Public Pension Authority (KPPA). McCreary District proposed an increase to Employee Pensions and Benefits in the amount of \$38,388⁷¹ to reflect an increase in wage rates

⁷⁰ McCreary District's Response to Staff's First Request, Item 7.

⁷¹ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, Adjustment E.

and the allocation of salaries to the water division.⁷² Staff calculated three adjustments based on the calculation of the pro forma Salaries and Wages – Employees as well as contribution percentage, and GASB 68 and 75 accounting.

While Staff agrees with McCreary District's methodology, it calculated different adjustments. First, Staff calculated an increase of \$80,778 (G1) for Pension and Other Post Employment Benefits (OPEB) related to GASB 68 and GASB 75, from 2022 to 2023,⁷³ from McCreary District's test year amount, as shown in the following table.

Description	Water	
	2022	2023
Deferred Outflow - Pension	\$ 695,752	\$ 853,552
Deferred Outflow - OPEB	425,026	410,688
Liability - Pension ()	(2,704,775)	(2,682,792)
Liability - OPEB ()	(737,845)	5,315
Deferred Inflow - Pension ()	(424,471)	(1,017,851)
Deferred Inflow - OPEB ()	(352,197)	(586,644)
Net Liability	<u>\$ (3,098,510)</u>	<u>(3,017,732)</u>
Decrease / (Increase)		<u>\$ 80,778</u>

In Case No. 2016-00163,⁷⁴ Staff discussed how reporting requirements for GASB 68 would affect a utility's income statement and balance sheet. In that proceeding, the Commission found that the annual pension expense should be equal to the amount of a

⁷² Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, References, Adjustment E.

⁷³ McCreary District's 2023 Audited Financial Statements, at 9.

⁷⁴ Case No. 2016-00163, *Alternative Rate Adjustment Filing of Marion County Water District* (Ky. PSC Nov. 10, 2016), Order at 11–15.

district's contributions to CERS.⁷⁵ Consistent with Commission precedent,⁷⁶ Staff added \$80,778 (G1) as an adjustment related to GASB 68 as well as GASB 75, which did not become effective until after GASB 68.

Staff calculated an additional decrease of \$109,145 (G2) to McCreary District's proposed increase of \$38,388 to account for the reduction in the CERS contribution rate from the test year.⁷⁷ Then, Staff accounted for the increase in contributable wages resulted in an increase of \$13,011 (G3) for McCreary District's CERS expense. The adjustments result in a net increase of \$23,032, which is \$15,356 less than McCreary District's proposed \$38,388 decrease, as shown in the table below.

⁷⁵ Case No. 2016-00163, Nov. 10, 2016 Order at 11–15.

⁷⁶ Case No. 2022-00044, *Electronic Application of Big Sandy Water District for an Adjustment of Its Water Rates Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 13, 2022), Order at 11–12.

⁷⁷ CERS Board of Trustees December 4, 2023, Meeting, Minutes, at 2. CERS Contribution Rate in the test year was 26.79 percent and 19.71 percent in current year.

Description	Test Year	Water Pro Forma
CERS Water Wages (full-time)	\$ 1,097,837	\$ 1,198,297
Contribution Rate	25.07%	18.62%
Contributions	275,173	223,122
GASB 68 & 75 Adjustment	(80,778)	-
Immaterial Differences	5,695	-
Total	<u>\$ 200,090</u>	223,122
Test Year Employee Retirement ()		(200,090)
Total Increase		23,032
McCreary District Adjustment ()		(38,388)
Difference		<u>\$ (15,356)</u>

<i>Reconciliation</i>	McCreary District	Staff's Adjustments
GASB 68 & 75	-	\$ 80,778
Change in Contribution Rate	\$ 38,388	(109,145)
Change in Wages	-	13,011
Total	<u>\$ 38,388</u>	<u>\$ (15,356)</u>

Staff recommends the Commission accept Staff's adjustments as the amounts are known and measurable based on current Salaries and Wages at current contribution levels.

(H) Materials and Supplies. McCreary District recorded test-year Materials and Supplies of \$350,321.⁷⁸ During Staff's review of McCreary District's general ledger accounts for Materials and Supplies, it also identified several expenditures that should have been capitalized. McCreary District agreed some of the items purchased should have been capitalized.⁷⁹ McCreary District provided an explanation for the identified transactions and explained which portions of the individual transactions should have been

⁷⁸ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations.

⁷⁹ McCreary District's Response to Staff's Second Request, Item 1, Attachment 2-1b.

capitalized, since not all of the transactions should be completely capitalized.⁸⁰ Accounting Instruction 27 B(1) of the USoA for Class A/B Water Systems states that the cost of retirement units added to utility plant shall be accounted for as provided in Accounting Instruction 21 of the USoA, which provides methodology for capitalization of purchased assets including nonrecurring maintenance expenses that extend the useful life of an asset.⁸¹ Staff made an adjustment to decrease Materials and Supplies by \$63,056, as shown in the following table.

Further, Staff made an adjustment to depreciate the cost of each asset over its estimated useful life as part of Depreciation Expense calculation. Staff aligned the asset's useful lives with the Depreciation Practices for Small Utilities (NARUC Study), which is included as an adjustment in the chart below. This results in an increase of \$3,164 to Depreciation Expense.

Date	Name	Transaction Amount	Capitalized Amount	Service Life	Annual Depreciation Expense	Asset Category
5/25/2023	TV Lift Cabin	\$ 4,198	\$ 4,198	37.50	\$ 112	Structure and Improvements
06/09/2023	Volt Unlimited, LLC	10,950	10,950	12.50	876	Power Operated Equipment
07/14/2023	USA Bluebook	6,725	6,725	17.50	384	Laboratory Equipment
07/28/2023	Core & Main	2,408	2,408	20.00	120	Meters
10/18/2023	Ferguson Waterworks #1491	3,920	3,920	62.50	63	T & D mains
10/27/2023	FloSource, Inc.	8,880	8,880	62.50	142	T & D mains
11/14/2023	Ferguson Waterworks #1491	4,891	4,891	62.50	78	T & D mains
11/22/2023	Somerset-Burnside Garage Door & Glass Co.	8,130	8,130	37.50	217	Structures & Improvements
11/22/2023	Southern Sales Company, Inc	6,800	6,800	10.00	680	Communication Equipment
12/01/2023	B L Anderson	6,154	6,154	12.50	492	Power Operated Equipment
Total		<u>\$ (63,056)</u>	<u>\$ (63,056)</u>		<u>\$ 3,164</u>	

Staff recommends that the Commission accept Staff's adjustment to decrease Materials and Supplies by \$63,056, as well as an increase to Depreciation Expense of

⁸⁰ McCreary District's Response to Staff's Second Request, item 1, Attachment 2-1b.

⁸¹ USoA, Accounting Instruction 27 B(1), at 33.

\$3,164, as the expenditures included were used to extend the life of an existing asset and should be capitalized according to the USoA instructions for utility plant accounting.

(I) Amortization – Rate Case Expense. In its application, McCreary District proposed an adjustment to increase Amortization Expense by \$2,898⁸² to reflect the amortization of current rate case expense over three years allocated to the water division.⁸³

McCreary District contracted with Kentucky Rural Water Association (KRWA) to assist with the application.⁸⁴ KRWA provided a quote for \$10,500 for consulting services to prepare the rate case.⁸⁵ McCreary District then amortized the proposed amount over three years for an annual amount of \$3,500. Finally, McCreary District allocated the annual rate case expense between the water and sewer divisions based upon the number of customers percentage.⁸⁶ However, McCreary District filed an updated rate case expense.⁸⁷ Staff determined the \$10,500 quote was only to complete the Cost-of-Service Study.⁸⁸ Staff agrees the cost-of-service study should be allocated between the water and sewer divisions based on the number of customers. The \$345 Publication Expense

⁸² Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, Adjustment G.

⁸³ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, References, Adjustment G.

⁸⁴ Application, 002_RateStudy.xlsx, Adj Tab, Contractual Services Adjustments.

⁸⁵ McCreary District's Supplemental Response to Staff's First Request, Response_to_PSC_Staff_First_Request_for_Information.pdf, Item 1a, page 2 of 26.

⁸⁶ Application, 002_RateStudy.xlsx, Adj Tab, Contractual Services Adjustments.

⁸⁷ McCreary District's Supplemental Response to Staff's First Request, Response_to_PSC_Staff_First_Request_for_Information.pdf, Item 1a, page 2 of 26.

⁸⁸ McCreary District's Supplemental Response to Staff's First Request, Response_to_PSC_Staff_First_Request_for_Information.pdf, Item 1a, page 2 of 26.

was allocated equally between the water and sewer division of \$173 each⁸⁹ Staff agrees with the allocation methodology for the publication expense.

In addition, McCreary District submitted the invoices for the legal expenses incurred,⁹⁰ and the new total for the rate case expense for the water division is \$26,626.⁹¹ Staff agrees with the recovery of the costs over three years. Additionally, Staff reviewed the rate study proposal and additional invoices, and calculated a different amount, Staff determined an annual cost of \$8,875 is required to recover the full cost of the expense over a three-year period, which is \$5,977 more that McCreary District's proposed \$2,898, as shown below.

Description	Amount
Legal	\$ 17,759
Consultant	8,694
Publication of Notice	173
Total	26,626
Amortization Years	3
Total Annual Adjustment	8,875
McCreary District's Adjustment ()	(2,898)
Difference	\$ 5,977

Staff recommends the Commission accept Staff's \$8,875 adjustment of an increase to Amortization Expense to reflect the recovery of the current Rate Case Expense over a three-year period.

⁸⁹ McCreary District's Supplemental Response to Staff's First Request, Response_to_PSC_Staff_First_Request_for_Information.pdf, Item 11a, page 1 of 26, Note 2.

⁹⁰ McCreary District's Supplemental Response to Staff's First Request, Response_to_PSC_Staff_First_Request_for_Information.pdf, Item 1a, page 3 thru 26.

⁹¹ McCreary District's Supplemental Response to Staff's First Request, Response_to_PSC_Staff_First_Request_for_Information.pdf, Item 11a.

(J) Depreciation Expense. In its application, McCreary District proposed an adjustment to reduce Depreciation Expense by \$21,559⁹² to reflect the useful lives set forth in the National Association of Regulatory Utility Commissioners (NARUC) Study.⁹³ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same NARUC study. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant.⁹⁴ Upon examination, Staff agrees with McCreary District's methodology to adjust depreciation expense. Staff's calculation differed from McCreary District in two areas. McCreary District proposed to depreciate Lake, Rivers, and Other Intakes over a 37.5-year service life;⁹⁵ however, the NARUC Study recommends depreciating Lake, Rivers, and Other Intakes over a range of 35 to 45 years,⁹⁶ for a 40-year midpoint. Second, Staff disagreed

⁹² Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, Adjustment H.

⁹³ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, References, Adjustment H.

⁹⁴ 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.

⁹⁵ Application, Exhibit F, 001_ExhibitF_DepreciationSchedule.xlsx, Adjusted Tab, Asset Category 313 Lake, River and Other Intake, Row 93 – 94.

⁹⁶ National Association of Regulatory Commissioners Depreciation Practices for Small Water Utilities, NARUC Account Number 332 Water Treatment Equipment.

with McCreary District depreciating Water Treatment Plant over a 62.5-year service life,⁹⁷ the NARUC Study recommends a range of 35 to 40 years for a midpoint of 37.5 years.⁹⁸

Staff calculated a Depreciation Expense of \$1,096,361, as shown in the following table, which is \$7,785 more than the recorded test year amount of \$1,088,576 and \$29,344 more than McCreary District's proposed \$21,559 decrease to Depreciation Expense.

Asset Class	NARUC Recommended Service Lives	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Structures and Improvements	35 - 40	\$ 317,404	\$ -	\$ 317,404
Reservoirs and Tanks	30 - 60	384	(384)	-
Power Operated Equipment	10 - 15	18,000	-	18,000
Pumping Equipment	20	37,048	-	37,048
Structures and Improvements	35 - 40	22,829	-	22,829
Lake, River and Other Intake	35 - 45	81,879	(5,117)	76,762
Water Treatment Plant	35 - 40	80,765	5,385	86,150
Water Treatment Equipment	20 - 35	582	-	582
Reservoirs and Tanks	30 - 60	74,307	-	74,307
Structures and Improvements	35 - 40	129	-	129
Transmission & Distribution Mains	50 - 75	298,174	-	298,174
Services	30 - 50	16,723	-	16,723
Radio Read Meters	20	49,353	-	49,353
Hydrants	40 - 60	3,966	-	3,966
Communication and Computer Equipment	10	43,022	-	43,022
Communication and Computer Equipment	10	286	358	644
Office Furniture and Equipment	20 - 25	1,275	2,795	4,070
Communication and Computer Equipment	10	414	-	414
Transportation Equipment	7	28,264	-	28,264
Power Operated Equipment	10 - 15	7,441	-	7,441
Communication and Computer Equipment	10	6,331	4,748	11,079
Total		<u>\$ 1,088,576</u>	7,785	<u>\$ 1,096,361</u>
McCreary District's Proposed Adjustment ()			21,559	
Difference			<u>\$ 29,344</u>	

⁹⁷ Application, Exhibit F, 001_ExhibitF_DepreciationSchedule.xlsx, Adjusted Tab, Asset Category 320 Water Treatment, rows 98–105.

⁹⁸ National Association of Regulatory Commissioners Depreciation Practices for Small Water Utilities, NARUC Account Number 394 Tools, Shop & Garage Equipment.

Staff recommends the Commission accept Staff's \$7,785 increase to Depreciation expense to reflect the annualization of Depreciation expense at the recommended NARUC midpoint service lives for capital assets with a remaining book value.

(K) Capitalization of Water Tap Labor. As discussed in the Expenses Related to Meter Installations adjustment above, the expenses related to the installation of new water connections are capital expenditures that should be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁹⁹ McCreary District stated that it had already capitalized some of the labor¹⁰⁰ and material¹⁰¹ costs and included them in the test-year Depreciation Expense. Staff calculated the annual depreciation amount for the test year and increased depreciation expense by \$2,358 to account for uncapitalized portion of the Tap Fee labor and materials as shown below:

Desciption	Salaries and Wages	Materials and Supplies
Test Year Water Connections Expense	\$ 14,153	\$ 33,023
Amount already Capitalized ()	(21,372)	(21,660)
Remaining Amount to be Capitalized	(7,219)	11,363
Divided by: Recommended Useful Life	20	20
Capitalized Expenses	\$ 707	1,651
Total Depreciation Adjustment		\$ 2,358

Staff recommends the Commission accept Staff's \$2,358 adjustment of an increase to Depreciation Expense, because the USoA requires the assets to be depreciated over their estimated useful lives.

⁹⁹ USoA, Accounting Instruction 19 and 33.

¹⁰⁰ McCreary District's Response to Staff's First Request, Item 14b.

¹⁰¹ McCreary District's Response to Staff's First Request, Item 14c.

(L) Taxes Other Than Income – Federal Insurance Contribution Act (FICA). In its application, McCreary District proposed an adjustment to increase Taxes Other Than Income by \$11,159,¹⁰² to reflect an increase in wage rates and allocation of salaries to the water division.¹⁰³ As explained in the Salaries and Wages – Employee Adjustment, Staff calculated McCreary District’s total Salaries and Wages – Employees of \$1,385,748 and Salaries and Wages – Officers of \$24,843. Staff calculated an increase of \$12,888 to Taxes Other Than Income, which is \$1,729 more than the \$11,159 proposed increase by McCreary District, as shown in the following table.

Description	Amount
Salaries and Wages - Employees	\$ 1,385,748
Salaries and Wages - Officers	24,843
Total Salaries and Wages	1,410,591
Times: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Payroll Taxes	107,910
Test Year Payroll Taxes ()	(95,022)
Commission Staff's Adjustment	12,888
McCreary District's Proposed Adjustment ()	(11,159)
Difference	\$ 1,729

Staff recommends the Commission approve Staff’s adjustment to increase Taxes Other Than Income by \$12,888 because it is a known and measurable change that is a direct result of changes to Salaries and Wages – Employees.

(M) Amortization of Utility Plant Acquisition Adjustment. In its application, McCreary District proposed an adjustment to decrease Amortization of Utility Plant

¹⁰² Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, Adjustment I.

¹⁰³ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, References, Adjustment I.

Acquisition Adjustment by \$32,203,¹⁰⁴ to reflect the removal of the amortized expense in December 2023.¹⁰⁵ Staff reviewed the test-year Trial Balance and determined the Acquisition Adjustment was for the amortization of meters.¹⁰⁶ Staff also reviewed the test year General Ledger and determined the meters were completely amortized in October 2023.¹⁰⁷ Additionally, Staff reviewed the 2024 General Ledger and determined the amortization did not continue in 2024.¹⁰⁸ Since the cost is fully amortized during the test year it should not be carried forward as part of rate recovery.

Staff recommends the Commission accept McCreary District's adjustment to decrease Amortization of Utility Plant Acquisition Adjustment by \$32,203, since the transaction did not continue subsequent to the test year.

OVERALL REVENUE REQUIREMENT

In its application McCreary District proposed to use the Debt Service Coverage (DSC) methodology to calculate the Revenue Requirement.¹⁰⁹ The Commission has historically applied the method to calculate the Overall Revenue Requirement of water

¹⁰⁴ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, Adjustment J.

¹⁰⁵ Application, Application_Water.pdf, Exhibit C, Schedule of Adjusted Operations, References, Adjustment J.

¹⁰⁶ McCreary District's Response to Staff's First Request, Item 3a, 1-3_GeneralLedgers-TrialBalances-CrossReferences.xlsx, 2023 WaterTrialBalances (1-3b) Tab, Account 407 Amortization Meters.

¹⁰⁷ McCreary District's Response to Staff's First Request, Item 3a, 1-3_GeneralLedgers-TrialBalances-CrossReferences.xlsx, 2023 WaterGeneralLedger (1-3a) Tab, Account 407 Amortization Meters.

¹⁰⁸ McCreary District's Response to Staff's First Request, Item 3a, 1-3_GeneralLedgers-TrialBalances-CrossReferences.xlsx, 2024 WaterGeneralLedger (1-3b) Tab, Account 407 Amortization Meters.

¹⁰⁹ Application, Exhibit C, Revenue Requirements Water Division – Debt Service Coverage Table.

districts and water associations.¹¹⁰ This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a noncash item, to provide working capital;¹¹¹ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

Description	McCreary District	Commission Staff	
Pro Forma Operating Expenses	\$ 4,798,589	\$ 4,851,438	
Average Annual Principal and Interest Payments	649,110	611,149	(1)
Additional Working Capital at 20%	129,822	122,230	(1)
Total Revenue Requirement	5,577,521	5,584,817	
Other Revenue ()	(205,577)	(376,942)	
Interest Income ()	(41,486)	(41,486)	
Revenue Required From Water Sales	5,330,458	5,166,389	
Revenue from Sales at Present Rates ()	(4,580,885)	(4,580,885)	
Required Revenue Increase / (Decrease)	\$ 749,573	\$ 585,504	
Percentage Increase / (Decrease)	16.40%	12.78%	

1) Average Annual Principal and Interest Payments and Additional Working Capital. At the time of Staff's review, McCreary District had two loans with the Kentucky

¹¹⁰ 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).

¹¹¹ 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).

Infrastructure Authority (KIA),¹¹² six outstanding United States Department of Agriculture (USDA) Rural Development (RD) bonds,¹¹³ one Government Capital Corporation (GCC) Municipal Lease,¹¹⁴ and three bonds with the Kentucky Rural Water Finance Corporation (KRWFC), which are allocated between the water and sewer divisions¹¹⁵ as shown in the following table. In its application, McCreary 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

¹¹² Case No. 2003-00007, *Application of The McCreary County Water District for a Certificate of Public Convenience and Necessity to Construct an Improvements Project and to Issue Securities in the Approximate Amount of \$1,510,000 to Finance a Portion of Said Project Pursuant to KRS 278.020, 278.300 and 807 KAR 5:001* (Ky. PSC Feb. 18, 2003). Case No. 2021-00452, *Electronic Application of McCreary County Water District for Authorization to Enter an Assistance Agreement with The Kentucky Infrastructure Authority to Borrow \$270,000 to Finance the Construction of the Catron/Needle Road Water Line Project and a Declaration that Project Does Not Require a Certificate of Public Convenience and Necessity* (Ky. PSC Feb. 1, 2022).

¹¹³ Case No. 2012-00053, *Application of McCreary County Water District for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023* (Ky. PSC Mar. 15, 2012). Case No. 2015-00053, *Application of The McCreary County Water District for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023*, (Ky. PSC Mar. 6, 2015). Case No. 2019-00246, *Application of The McCreary County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Aug. 2, 2019). Case No. 2021-00021, *Electronic Application of McCreary County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Feb. 22, 2021). Case No. 2022-00204, *Electronic Application of McCreary County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Aug. 5, 2022).

¹¹⁴ Case No. 2018-00038, *Electronic Application of McCreary County Water District for Authorization to Execute Lease-Purchase Agreement and Related Relief* (Ky. PSC Jun. 28, 2018).

¹¹⁵ Case No. 2012-00172, *Application of McCreary County Water District to Issue Securities in the Approximate Principal Amount of \$4,790,000 for the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC May 25, 2012). Case No. 2020-00151, *Electronic Application of The McCreary County Water District to issue Securities in the Approximate Principal Amount of \$1,702,000 for the Purpose of Refunding Certain Outstanding Obligations of the District and Refinancing of s Short Term Obligation Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC June 2020). Case No. 2013-00042, *Kentucky Rural Water Finance Corporation Joint Application on Behalf of Certain Water Districts for Authority to Borrow Funds to Refinance Certain Outstanding Indebtedness to the Kentucky Rural Water Finance Corporation* (Ky. PSC Mar. 27, 2013).

is 2025 through 2029.¹¹⁶ However, because the statutory date for a final Order to be issued in this proceeding is March 16, 2026, the 2025 debt service payments will be recovered through McCreary District's existing rates. Thus, only the debt service payments that will be made after the new rates are placed into effect should be considered in determining McCreary District's Annual Principal and Interest Expense. Staff calculated the average annual principal and interest on a five-year average for the years 2026 through 2030. Staff calculated an Average Principal and Interest Expense of \$611,149 as shown in the table below.

The DSC method, as historically applied by the Commission, also 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, McCreary 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 \$129,822.¹¹⁷

The DSC methodology allows for the recovery of average annual principal and interest payments. Staff agrees with McCreary District's methodology but calculated a different amount. When the average Annual Principal and Interest Payments of \$611,149 is included, \$122,230 is included in the revenue requirement as shown in the following table.

¹¹⁶ Application, Exhibit C, Table B, Debt Service Schedule.

¹¹⁷ Application, Exhibit C, Revenue Requirements Water Division – Debt Service Coverage Table.

	2025		2026		2027		2028		2029		2030		
Debt	Principal	Interest	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	Total
Series 2013 91-35	\$ 13,500	\$ 9,539	\$ 13,500	\$ 9,286	\$ 14,000	\$ 9,028	\$ 14,500	\$ 8,761	\$ 14,500	\$ 8,489	\$ 15,000	\$ 8,213	\$ 115,277
Seires 2013 91-33	27,000	19,734	27,500	19,223	28,000	18,703	29,000	18,169	29,500	17,620	30,500	17,058	235,273
Series 2016 93-37	20,000	25,638	20,500	25,131	21,000	24,613	22,000	24,075	22,500	23,519	23,500	22,944	229,781
Series 2020 93-38	22,000	16,913	22,500	16,607	23,000	16,294	24,000	15,971	24,500	15,637	25,000	15,297	198,805
Series 2022 93-40	10,500	11,236	11,000	11,034	11,000	10,828	11,500	10,617	11,500	10,402	11,500	10,186	109,567
Series 2021 94-42	9,500	8,912	10,000	8,741	10,000	8,566	10,500	8,387	10,500	8,203	10,500	8,019	93,417
KRWFC 2012 D	120,000	79,024	120,000	74,704	125,000	70,231	130,000	65,514	135,000	60,611	140,000	55,436	976,496
KRWFC 2020 E	8,281	11,221	8,281	10,869	12,422	10,429	12,422	9,901	12,422	9,373	12,422	8,845	107,384
KRWFC 2020 E	35,000	32,213	40,000	30,619	40,000	28,919	40,000	27,219	45,000	25,413	45,000	23,500	345,669
KIA F04-03	79,474	1,246	40,035	250	-	-	-	-	-	-	-	-	40,285
KRWFC 2013 B	100,000	10,635	100,000	7,585	45,000	5,318	40,000	3,915	40,000	2,595	45,000	1,193	290,605
GCC 8306	83,662	14,005	86,963	10,704	90,394	7,273	93,960	3,707	-	-	-	-	293,000
KIA F21-025	3,553	510	3,562	492	3,571	475	3,580	457	3,589	439	3,598	421	20,183
Totals	<u>\$532,470</u>	<u>\$240,824</u>	<u>\$503,841</u>	<u>\$225,246</u>	<u>\$423,386</u>	<u>\$210,676</u>	<u>\$431,461</u>	<u>\$196,692</u>	<u>\$349,010</u>	<u>\$182,301</u>	<u>\$362,019</u>	<u>\$171,111</u>	3,055,743
Divided by 5 years													5
Average Annual Principal and Interest Payments													611,149
Additional Working Capital at 20%													<u>\$ 122,230</u>

Staff recommends the Commission approve McCreary District's proposed inclusion of \$611,149 and \$122,230 to the Revenue Requirement to account for the average annual principal and interest payments, and the additional working capital, because DSC methodology allows for the recovery of Principal and Interest payments and the Additional Working Capital is a direct result of the calculated Annual Debt Principal and Interest payments.

Signatures

/s/ William Foley

Prepared by: William Foley
Revenue Requirement Branch
Division of Financial Analysis

/s/ Manuel Jerez Tamayo

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Rate Design Branch
Division of Financial Analysis

APPENDIX A

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00136 DATED OCT 15 2025

* Denotes Rounding

Nonrecurring Charges Adjustments

Connection / Turn-on Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials		\$	-
Field Labor		\$	-
Office Supplies	\$ 5.00	\$	5.00
Office Labor		\$	-
Transportation	\$ 14.00	\$	14.00
Misc.		\$	-
Total Revised Charge*	<u>\$ 19.00</u>	<u>\$</u>	<u>19.00</u>
Current Rate	\$12.50		

Connection / Turn-on Charge After Hrs.			
	Utility Revised Charge	Staff Revised Charge	
Field Materials		\$	-
Field Labor (1hr \$42.77/hr)	\$ 42.77	\$	42.77
Office Supplies	\$ 5.00	\$	5.00
Office Labor		\$	-
Transportation	\$ 14.00	\$	14.00
Misc.		\$	-
Total Revised Charge*	<u>\$ 61.77</u>	<u>\$</u>	<u>62.00</u>
Current Rate	\$50.00		

Termination Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials		\$	-
Field Labor		\$	-
Office Supplies	\$ 5.00	\$	5.00
Office Labor		\$	-
Transportation	\$ 14.00	\$	14.00
Misc.		\$	-
Total Revised Charge*	<u>\$ 19.00</u>	<u>\$</u>	<u>19.00</u>
Current Rate	\$12.50		

Reconnection Fee			
	Utility Revised Charge	Staff Revised Charge	
Field Materials		\$	-
Field Labor		\$	-
Office Supplies	\$ 5.00	\$	5.00
Office Labor		\$	-
Transportation		\$	-
Misc.	\$ 14.00	\$	14.00
Total Revised Charge*	<u>\$ 19.00</u>	<u>\$</u>	<u>19.00</u>
Current Rate	\$12.50		

Reconnection Fee After Hrs.			
	Utility Revised Charge	Staff Revised Charge	
Field Materials		\$	-
Field Labor (1hr \$42.77/hr)	\$ 42.77	\$	42.77
Office Supplies	\$ 5.00	\$	5.00
Office Labor		\$	-
Transportation	\$ 14.00	\$	14.00
Misc.		\$	-
Total Revised Charge*	<u>\$ 61.77</u>	<u>\$</u>	<u>62.00</u>
Current Rate	\$50.00		

Meter Reread			
	Utility Revised Charge	Staff Revised Charge	
Field Materials		\$	-
Field Labor		\$	-
Office Supplies	\$ 5.00	\$	5.00
Office Labor		\$	-
Transportation		\$	-
Misc.	\$ 14.00	\$	14.00
Total Revised Charge*	<u>\$ 19.00</u>	<u>\$</u>	<u>19.00</u>
Current Rate	\$12.50		

Service Call / Investigation			
	Utility Revised Charge	Staff Revised Charge	
Field Materials		\$	-
Field Labor		\$	-
Office Supplies	\$ 5.00	\$	5.00
Office Labor		\$	-
Transportation	\$ 14.00	\$	14.00
Misc.		\$	-
Total Revised Charge*	<u>\$ 19.00</u>	<u>\$</u>	<u>19.00</u>
Current Rate	\$12.50		

Service Call / Investigation After Hrs.			
	Utility Revised Charge	Staff Revised Charge	
Field Materials		\$	-
Field Labor (1hr \$42.77/hr)	\$ 42.77	\$	42.77
Office Supplies	\$ 5.00	\$	5.00
Office Labor		\$	-
Transportation	\$ 14.00	\$	14.00
Misc.		\$	-
Total Revised Charge*	<u>\$ 61.77</u>	<u>\$</u>	<u>62.00</u>
Current Rate	\$50.00		

Meter Test Request			
	Utility Revised Charge	Staff Revised Charge	
Field Materials		\$	-
Field Labor	\$ -	\$	-
Office Supplies	\$ 5.00	\$	5.00
Office Labor	\$ -	\$	-
Transportation	\$ 14.00	\$	14.00
Misc.		\$	-
Total Revised Charge*	<u>\$ 19.00</u>	<u>\$</u>	<u>19.00</u>
Current Rate	\$12.50		

Returned Check Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials		\$	-
Field Labor		\$	-
Office Supplies	\$ 8.50	\$	8.50
Office Labor		\$	-
Transportation		\$	-
Misc. (Bank Charge)		\$	-
Total Revised Charge*	<u>\$ 8.50</u>	<u>\$</u>	<u>9.00</u>
Current Rate	\$8.50		

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00136 DATED OCT 15 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 McCreary County Water District. All other rates and charges not specifically mentioned herein shall remain the same.

Monthly Water Rates

Retail Customers

First	2,000	Gallons	\$	32.22	Minimum Bill
Over	2,000	Gallons		0.00841	Per Gallon

Federal Correctional Facility

First	1,950,000	Gallons	\$	19,200.54	Minimum Bill
Over	1,950,000	Gallons		0.00984	Per Gallon

Cumberland Falls State Park

First	600,000	Gallons	\$	5,916.54	Minimum Bill
Over	600,000	Gallons		0.00984	Per Gallon

Wholesale Customers

Whitley County Water District	\$	0.00984	Per Gallon
Oneida, Tennessee		0.00984	Per Gallon
Fibrotec, USA		0.00984	Per Gallon
Pin Knot Job Center		0.00984	Per Gallon
McCreary County Housing Auth.		0.00984	Per Gallon

Charge	Revised Charge
Connection / Turn-on Charge	\$19.00
Connection / Turn-on Charge After Hrs.	\$62.00
Termination Charge	\$19.00
Reconnection Fee	\$19.00
Reconnection Fee After Hrs.	\$62.00
Meter Reread	\$19.00
Service Call / Investigation	\$19.00
Service Call / Investigation After Hrs.	\$62.00
Meter Test Request	\$19.00
Returned Check Charge	\$9.00

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