

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MEADE)	
COUNTY WATER DISTRICT FOR AN)	CASE NO.
ALTERNATIVE RATE FILING ADJUSTMENT)	2025-00293
PURSUANT TO 807 KAR 5:076)	

ORDER

On September 3, 2025,¹ Meade County Water District (Meade 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 9,² Meade District used the calendar year ended December 31, 2024, as the basis for its application. The application was filed pursuant to the Commission’s Order in Case No. 2025-00029, which required Meade District to file an application for an adjustment of its base rates by August 31, 2025.³ Meade District’s last base rate increase, filed pursuant to the alternative rate filing procedure, was in Case No. 2023-00039.⁴ Since that matter, Meade District has adjusted its rates pursuant to multiple purchased water adjustments.

¹ Meade District tendered its application on August 28, 2025. By letter dated September 3, 2025, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application was deemed filed on September 3, 2025.

² 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.

³ Case No. 2025-00029, *Electronic Purchased Water Adjustment Filing of Meade County Water District* (Ky. PSC Mar. 11, 2025), Order at 5, ordering paragraph 5.

⁴ Case No. 2023-00039, *Electronic Application of Meade County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated September 22, 2025.⁵ Meade District responded to three requests for information from Commission's Staff (Staff).⁶ There were numerous public comments filed in this case, all of which oppose a rate increase, while some explain issues related to low water pressure.⁷

In its application, Meade District requested an overall revenue requirement of \$4,817,529 to increase its annual water sales revenue by \$993,632, or 27.03 percent.⁸

On January 16, 2026, Staff issued its report (Staff's Report)⁹ summarizing its recommendations regarding Meade District's requested rate adjustment. In its report, Staff found that Meade District's pro forma operations support a total revenue requirement of \$4,147,196, and that an increase of \$351,937 or 9.62 percent,¹⁰ to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement. In the absence of a cost of service study (COSS), Staff allocated its recommended revenue increase evenly across the board of retail customers to calculate its recommended water rates.¹¹

⁵ Order (Ky. PSC Sept. 22, 2025).

⁶ Meade District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Oct. 29, 2025); Meade District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Dec. 10, 2025); Meade District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Dec. 30, 2025).

⁷ See <https://psc.ky.gov/Case/ViewCaseFilings/2025-00293/Public>.

⁸ Documents inadvertently excluded from ARF application (Excluded Documents) (filed Sept. 3, 2025), Revenue_Requirement_Calculation.pdf.

⁹ Staff's Report (issued Jan. 16, 2026).

¹⁰ Staff's Report at 4.

¹¹ Staff's Report at 5.

On January 20, 2026, Meade District filed its response to Staff's Report.¹² In its written comments, Meade District stated that it did not agree with the removal of certain labor expenses from nonrecurring charges, but it did not wish to contest that adjustment.¹³ Additionally, Meade District concurred with the remainder of the findings in Commission Staff's Report¹⁴ and waived its right to request an informal conference or hearing.¹⁵ The case now stands submitted for a decision.

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."¹⁶ 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

Meade 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

¹² Meade District's Response to Staff's Report (filed Jan. 20, 2026).

¹³ Meade District's Response to Staff's Report, Item 1.

¹⁴ Meade District's Response to Staff's Report, Item 2.

¹⁵ Meade District's Response to Staff's Report, Item 3.

¹⁶ *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).

approximately 5,489 residential customers and 275 commercial customers located in Meade County, Kentucky.¹⁷

UNACCOUNTED FOR WATER LOSS

Meade District purchases 100 percent of its water from Hardin County Water District No.1 (Hardin District No.1).¹⁸ The Commission notes that in its 2024 Annual Report, Meade District reported a water loss of 14.6252 percent.¹⁹ In its 2023 Annual Report Mead District reported a water loss of 17.2079 percent.²⁰ In its 2022 Annual Report, Meade District reported a water loss of 16.6964 percent.²¹ 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. Since Meade District's test-year unaccounted-for water loss percentage is less than 15 percent, Staff did not recommend an adjustment.²² The table below shows that the 2024 total annual cost of unaccounted for water loss to Meade District is \$224,517.

¹⁷ *Annual Report of Meade District to the Public Service Commission for the Calendar Year Ended December 31, 2024* (2024 Annual Report) at 12 and 49.

¹⁸ 2024 Annual Report at 54 and 57.

¹⁹ 2024 Annual Report at 57.

²⁰ *Annual Report of Meade District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 57.

²¹ *Annual Report of Meade District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 58.

²² Staff's Report at 2–3.

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 1,455,279	\$ 76,998	\$ 1,532,277
Water Loss Percent	14.6525%	14.6525%	14.6525%
Total Water Loss	\$ 213,235	\$ 11,282	\$ 224,517

TEST PERIOD

The calendar year ended December 31, 2024, was used as the test year to determine the reasonableness of Meade District’s proposed water rates as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

Staff’s Report summarized Meade District’s pro forma income statement as follows:

Description	2024 Test Year	Total Adjustments	Staff’s Pro Forma
Total Operating Revenues	\$ 3,753,615	\$ (7,054)	\$ 3,746,561
Total Operating Expenses	(3,924,417)	185,984	(3,738,433)
Net Operating Income	(170,802)	178,930	8,128
Interest Income	48,698	-	48,698
Income Available to Service Debt	\$ (122,104)	\$ 178,930	\$ 56,826

REVIEW OF STAFF’S RECOMMENDATIONS

Meade District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions, as well as proposed an across-the-board approach in applying the revenue increase. In Staff’s Report, Staff recommended additional adjustments. As noted above, Meade District objected to certain adjustments to Nonrecurring Charges set forth in Staff’s Report but did not wish to contest those adjustments.

However, the Commission notes that although Staff recommended an adjustment of \$6,087 to Taxes Other Than Income, Staff inadvertently did not include the difference between Meade District's proposed Taxes Other Than Income adjustment when presenting the pro forma calculations. The correction to Taxes Other Than Income is presented in the table below. The following is the Commission's complete pro forma:

Description	2024 Test Year	Total Adjustments	Staff's Pro Forma	Commission Adjustments	Commission Pro Forma
Operating Revenues					
Metered Retail Sales	\$ 3,654,067	\$ 2,810	\$ 3,656,877	\$ -	\$ 3,656,877
Other Revenues					
Other Water Revenues	99,548	(9,864)	89,684	-	89,684
Total Operating Revenues	<u>3,753,615</u>	<u>(7,054)</u>	<u>3,746,561</u>	<u>-</u>	<u>3,746,561</u>
Operation and Maintenance					
Salaries and Wages - Employees	688,548	27,437	715,985	-	715,985
Salaries and Wages - Officers	30,000	-	30,000	-	30,000
Employee Benefits	290,886	(143,328)	140,900	-	140,900
Employee Pensions	-	143,328			
		(20,037)			
		5,109			
		4,916	133,316	-	133,316
Purchased Water	1,472,835	(17,556)	1,455,279	-	1,455,279
Purchased Power	76,998	-	76,998	-	76,998
Materials and Supplies	225,936	-	225,936	-	225,936
Contractual Services - Engineering	885	-	885	-	885
Contractual Services - Accounting	35,304	-	35,304	-	35,304
Contractual Services - Legal	10,115	-	10,115	-	10,115
Contractual Services - Other	54,530	-	54,530	-	54,530
Transportation	28,721	-	28,721	-	28,721
Insurance - General Liability	43,336	-	43,336	-	43,336
Insurance - Workers Compensation	4,573	-	4,573	-	4,573
Rate Case Expense	-	3,112	3,112	-	3,112
Miscellaneous	148,000	(2,275)	145,725	-	145,725
Total	<u>3,110,667</u>	<u>(5,952)</u>	<u>3,104,715</u>	<u>-</u>	<u>3,104,715</u>
Amortization		-	-		
Depreciation Expense	762,769	(183,026)	579,743	-	579,743
Taxes Other Than Income	50,981	2,994	53,975	3,093	57,068
Total Operating Expenses	<u>3,924,417</u>	<u>(185,984)</u>	<u>3,738,433</u>	<u>3,093</u>	<u>3,741,526</u>
Net Operating Income	(170,802)	178,930	8,128	(3,093)	5,035
Interest Income	48,698	-	48,698	-	48,698
Income Available to Service Debt	<u>\$ (122,104)</u>	<u>\$ 178,930</u>	<u>\$ 56,826</u>	<u>\$ (3,093)</u>	<u>\$ 53,733</u>

Billing Analysis. Meade District proposed an adjustment to increase Metered Water Sales by \$21,584 to a pro forma of \$3,675,651.²³ Meade District did not provide an explanation for the proposed adjustment other than the billing analysis calculations. Staff determined that the adjustment to Metered Water Sales should be reduced by \$18,774, to an increase of \$2,810, based on the response to Staff's Second Request for Information, in which Meade District provided amounts for leak adjustments that were erroneously excluded from its billing analysis.²⁴ The correction to the billing analysis resulted in an increase to normalize Metered Water Revenue in the amount of \$2,810 for a pro forma of \$3,656,877.²⁵

Staff recommended the Commission accept Staff's adjustment to Retail Metered Sales to normalize its revenues to the amounts indicated in its billing analysis as the amounts are known and measurable.²⁶

The Commission finds Staff's adjustment is reasonable and should be accepted. Meade District's Metered Retail Sales should be increased by \$2,810, because the adjustment reflects verifiable usage and revenue data that was evaluated and normalized using the information provided in the record.

²³ Application, Attachment 4, Schedule of Adjusted Operations.

²⁴ Meade District's Response to Staff's Second Request, Item 10.

²⁵ Staff's Report at 8–9.

²⁶ Staff's Report at 8–9.

Other Revenues. Meade District reported Other Revenues of \$99,548,²⁷ composed of \$53,372 for Late Fees, called Penalties, and \$46,176 for Nonrecurring Charges.²⁸

Description	Test	Meade District Proposed Adjustments	Commission Staff Adjustments	Pro Forma
Penalties	\$ 53,372	\$ -	\$ -	\$ 53,372
Nonrecurring Charges	46,176	-	(9,864)	36,312
Total Other Income	\$ 99,548	\$ -	\$ (9,864)	\$ 89,684

Meade District provided information about the number of occurrences for each Nonrecurring Charge listed in its tariff.²⁹ Based on this information and the current tariff charges, Staff calculated a pro forma revenue amount for Nonrecurring Charges of \$36,312 as shown in the table below,³⁰ which is a \$9,864 reduction to Other Operating Revenues.

Nonrecurring Charge	Occurrences	Current Charge	Revised Charge	Test Year	Adjustment	Pro Forma
Connection / Turn-on Charge	588	\$28.00	\$28.00	\$16,464	\$0	\$16,464
Connection / Turn-on Charge (After Hours)	0	\$84.00	\$79.00	0	0	0
Field Visit	0	\$28.00	\$28.00	0	0	0
Meter Re-read Charge	0	\$28.00	\$28.00	0	0	0
Meter Re-read (After Hours)	0	\$84.00	\$84.00	0	0	0
Service Call/ Investigation	39	\$28.00	\$28.00	1,092	0	1,092
Service Call/ Investigation (After Hours)	3	\$84.00	\$79.00	252	(15)	237
Returned Check Charge	81	\$15.00	\$15.00	1,215	0	1,215
Meter Relocation Charge	0	Actual Cost	Actual Cost	0	0	0
Meter Test	0	\$28.00	\$28.00	0	0	0
Reconnection Charge	615	\$28.00	\$28.00	17,220	0	17,220
Meter Tampering Charge	3	\$28.00	\$28.00	84	0	84
Nonrecurring Charges Sub-total				<u>\$ 36,327</u>	<u>\$ (15)</u>	<u>\$36,312</u>
Test Year ()						(46,176)
Staff's Adjustment						<u>\$ (9,864)</u>

²⁷ Application, Attachment 4, Schedule of Adjusted Operations.

²⁸ Meade District's Response to Staff's Second Request, Item 7.

²⁹ Meade District's Response to Staff's First Request, Item 20.

³⁰ Staff's Report at 9–10.

The Commission finds that Staff's adjustment is reasonable and should be accepted. The adjustment reflects the Commission's recent decisions, which note that labor expenses resulting from work performed during normal business hours are already recovered as regular wages; thus, should not be recovered through nonrecurring charges.³¹ Removing labor expenses that are already recovered in base rates allows for the marginal cost related to the nonrecurring service to be recovered through a special Nonrecurring Charge for service provided during normal working hours. For the reasons discussed below, the estimated labor expenses previously included in determining the amount of nonrecurring charges should be eliminated from the charges, as proposed by Staff.

The Commission finds that Staff's recommendation is reasonable and should be accepted, the revised nonrecurring charges as described in Appendix A to be reasonable, and that Meade District's Other Revenues should be reduced by \$9,864 because only the incremental cost related to the service should be recovered for service provided by current employees during normal business hours.

Salaries and Wages – Employees. In its application, Meade District proposed an adjustment to increase Salaries and Wages – Employees by \$17,003³² to reflect changes

³¹ 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), final Order at 8; 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), final Order at 10; 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), final Order at 10; and Case No. 2023-00252, *Electronic Application of Oldham County Water District for an Alternative Rate Adjustment* (Ky. PSC June 18, 2024), final Order at 45-46.

³² Application, Attachment 4, Schedule of Adjusted Operations, Adjustment C.

in wage rates and personnel subsequent to the test year.³³ Meade District provided the test year employee list, wage rate, and hours worked.³⁴ Meade District also provided the current wage rates and employee list.³⁵ Meade District currently has 12 full-time hourly employees.³⁶ Staff normalized the pro forma regular hours to 2,080, which Meade District considers full time.³⁷ Four current employees were “On Call” during the test year, and received \$100 per instance for a total of \$2,600, as shown in the following table.³⁸ The same table also shows that the test-year wage rates compared to the current wage rates indicate employees received an increase in wages.

Staff calculated a Total Salaries and Wages – Employees of \$715,985, which is \$27,437 more than the test-year Salaries and Wages – Employees amount of \$688,548, and \$10,434 more than Meade District’s proposed adjustment, as shown in the table below.³⁹

³³ Meade District’s Deficiency Response, Documents inadvertently excluded from ARF application (filed Sept. 3, 2025), References_Explaining_Proposed_Adjustments.pdf, Adjustment C.

³⁴ Meade District’s Response to Staff’s First Request, Item 7, 7_2024_Wages_Report.xlsx.

³⁵ Meade District’s Response to Staff’s First Request, Item 4, 4_Rate_Model.xlsx, Wages and Benefits Tab.

³⁶ Meade District’s Response to Staff’s First Request, Item 4, 4_Rate_Model.xlsx, Wages and Benefits Tab.

³⁷ Meade District’s Response to Staff’s First Request, Item 8b.

³⁸ Meade District’s Response to Staff’s First Request, Item 7, 7_2024_Wages_Report.xlsx.

³⁹ Staff’s Report at 10–11.

Employee ID	Job Title	Normalized Regular Hours	Test Year Wage Rates	Pro Forma Wage Rates	Pro Forma Reg. Wages	Pro Forma Overtime Hours	Pro Forma Overtime Wage Rate	Pro Forma Overtime Wages	On-Call Pay	Total Pro Forma Wages
1	Accounting Specialist	2,080	\$ 25.28	\$ 26.80	\$ 55,737	7.25	\$ 40.20	\$ 291		\$ 56,028
2	Operator	2,080	\$ 20.30	\$ 21.52	44,757	43.50	\$ 32.28	1,404	\$ 400	46,561
3	CSR	2,080	\$ 18.50	\$ 19.14	39,819	-	\$ 28.72	-		39,819
4	CSR	2,080	\$ 22.67	\$ 24.03	49,983	15.25	\$ 36.05	550		50,533
5	Heavy Equipment Operator	2,080	\$ 28.34	\$ 30.04	62,484	139.25	\$ 45.06	6,275	1,000	69,759
6	Logistics/Safety Coordinator	2,080	\$ 25.26	\$ 26.78	55,693	3.50	\$ 40.16	141		55,834
7	Distribution Operator	2,080	\$ 26.09	\$ 27.66	57,523	149.25	\$ 41.48	6,191	1,100	64,814
8	Lead Distribution Operator	2,080	\$ 28.21	\$ 29.90	62,197	32.00	\$ 44.85	1,435	100	63,732
9	Billing Specialist	2,080	\$ 23.28	\$ 24.68	51,328	11.50	\$ 37.02	426		51,754
10	General Managaer	2,080	\$ 47.01	\$ 49.83	103,648	-	\$ 74.75	-		103,648
11	Distribution Supervisor	2,080	\$ 33.48	\$ 35.49	73,817	-	\$ 53.23	-		73,817
12	Opertor	2,080	\$ 18.06	\$ 19.08	39,686	-	\$ 28.62	-		39,686
Total		24,960			\$ 696,672	402		\$ 16,713	\$ 2,600	715,985
Test Year Salaries and Wages ()										(688,548)
Staff's Adjustment										27,437
Meade District's Proposed Adjustment ()										(17,003)
Difference										\$ 10,434

Staff recommended the Commission accept Staff's calculated increase of \$27,437, as it is a known and measurable change because it reflects the normalization of hours worked at current wage rates.⁴⁰

The Commission finds that Staff's adjustment is reasonable and should be accepted. Meade District's Salaries and Wages – Employees pro forma amount should be increased by \$27,437 because the adjustment to Salaries and Wages – Employees is a known and measurable change to reflect the normalized test year hours at current wages for current employees.

Employee Benefits – Insurance. Staff determined that separating the medical and related benefits costs from retirement benefits was appropriate to reflect the different basis of adjustments and reclassified \$143,328 to Employee Pension.⁴¹ Meade District provides Medical and Dental insurance,⁴² and pays 100 percent of the cost of the single

⁴⁰ Staff's Report at 10–11.

⁴¹ Staff's Report at 11–13.

⁴² Meade District's Response to Staff's First Request, Item 4, 4_Rate_Model.xlsx, Wages and Benefits Tab.

plan for its employee(s) and 85 percent of family plan premiums.⁴³ In its application, Meade District proposed an adjustment to decrease Employee Benefits Expense by \$14,470,⁴⁴ to reflect Commission precedent on medical and dental insurance premiums funded by water districts.⁴⁵ However, during discovery, Meade District stated that it would not propose the same adjustment to employee health premiums based on Bureau of Labor Statistics (BLS) if the precedent did not exist⁴⁶ but instead, would propose to recover the full cost of employee health premiums.⁴⁷

Meade District provided the most recent copy of its health insurance invoices for medical, dental, and life insurance.⁴⁸ Accordingly, utilizing the most recent invoice amounts, Staff calculated the pro forma adjustment as a decrease in Employee Benefits - Insurance of \$6,658, which is \$7,812 less than the \$14,470 decrease proposed by Meade District, as shown below.⁴⁹

⁴³ Meade District's Deficiency Response, Documents inadvertently excluded from ARF application, References_Explaining_Proposed_Adjustments.pdf, Adjustment F.

⁴⁴ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment F.

⁴⁵ Meade District's Deficiency Response, Documents inadvertently excluded from ARF application, References_Explaining_Proposed_Adjustments.pdf, Adjustment F.

⁴⁶ Meade District's Response to Staff's Second Request, Item 8.

⁴⁷ Meade District's Response to Staff's Second Request, Item 8.

⁴⁸ Meade District's Response to Staff's First Request, Item 9c, 9c_Recent_Invoices_for_Health-Life-Dental.pdf.

⁴⁹ Staff's Report at 11–13.

Type of Premium	Number of Employees	Total Cost	Employer Contribution Percentage	Employer Contribution Amount
Medical Insurance - Employee Only	4	\$ 5,082	100%	\$ 5,082
Medical Insurance - Single buy-up	2	2,259	100%	2,259
Medical Insurance - Family	1	3,614	85%	3,072
Dental Insurance	10	245	100%	245
Total Monthly Pro Forma Premium		11,200		10,658
Multiplied by: 12 Months		12		12
Total Insurance Cost		<u>\$ 134,400</u>		\$ 127,896
Test Year Insurance Premiums ()				(134,554)
Adjustment				(6,658)
Meade District's Adjustment ()				14,470
Commission Staff's Adjustment				<u>\$ 7,812</u>

Staff recommended the Commission accept Staff's adjustment to decrease Employee Benefits by \$6,658 to reflect the annualization of current insurance premiums.⁵⁰

The Commission finds that Staff's adjustment is reasonable and should be accepted. Meade District's Employee Benefits – Insurance expense should be decreased by \$6,658 because it reflects the current insurance premiums based on invoices contained in the record.

Employee Pensions - CERS. As discussed above, Staff reclassified \$143,328 from Employee Benefits to Employee Pensions.⁵¹ Meade District participates in the County Employee Retirement System (CERS),⁵² which is managed by the Kentucky Public Pension Authority (KPPA). Meade District proposed a decrease to Employee

⁵⁰ Staff's Report at 11–13.

⁵¹ Staff's Report at 13–15.

⁵² Meade District's Response to Staff's First Request, Item 4, 4_Rate_Model.xlsx, Wages and Benefits Tab, Row 32.

Pensions and Benefits in the amount of \$16,218⁵³ to reflect a decrease in pension contribution rates from 2024.⁵⁴ Staff calculated two adjustments based on the calculation of the pro forma Salaries and Wages – Employees as well as contribution percentage.

While Staff agreed with Meade District's methodology, it calculated different adjustments. Staff first calculated a decrease of \$20,037, which is \$3,819 more than Meade District's proposed net decrease of \$16,218 for a total contribution rate decrease of \$20,037 to account for the reduction in the CERS contribution rate from the test year.⁵⁵ The contribution rate for the first 6 months of calendar year 2024 was 23.34 percent and 19.71 percent for the second half of 2024,⁵⁶ for an average of 21.53 percent in the test year.

To calculate the pro forma pension expense, Staff used the contribution rate attributable to Fiscal Year 2026, 18.62 percent.⁵⁷ Additionally, Staff accounted for the increase in contributable wages which resulted in an increase of \$5,109 for Meade District's CERS expense.⁵⁸ Finally, Staff found an unidentified immaterial decrease in the test year contribution amount of \$4,916.⁵⁹ The adjustments result in a net decrease of

⁵³ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment D.

⁵⁴ Meade District's Deficiency Response, Documents inadvertently excluded from ARF application, References_Explaining_Proposed_Adjustments.pdf, Adjustment D.

⁵⁵ Staff's Report at 13–15.

⁵⁶ CERS Board of Trustees December 7, 2023, Meeting. CERS Contribution Rate in the test year was 23.34% and 19.71% in the following year.

⁵⁷ CERS Board of Trustees December 2, 2024, Meeting. CERS Contribution Rate in the test year was 23.34% and 18.62% in 2025.

⁵⁸ Staff's Report at 13–15.

⁵⁹ Staff's Report at 13–15.

\$10,012, which is \$6,206 less than Meade District's proposed \$16,218 decrease, as shown in the table below.⁶⁰

Description	Test Year	Pro Forma
Wages	\$ 688,548	\$ 715,985
Contribution Rate	21.53%	18.62%
Contributions	148,244	133,316
Immaterial Unidentified Amounts	(4,916)	-
Contributions	<u>\$ 143,328</u>	133,316
Test Year Employee Pensions ()		(143,328)
Total Increase		(10,012)
Meade District's Proposed Adjustment ()		16,218
Difference		<u>\$ 6,206</u>

<i>Reconciliation</i>	Meade District	Staff's Adjustment
Change in Contribution Rate	\$ (16,218)	\$ (20,037)
Change in Wages		5,109
Immaterial Unidentified Amounts		4,916
Total	<u>\$ (16,218)</u>	<u>\$ (10,012)</u>
Net Difference		<u>\$ 6,206</u>

Staff recommended the Commission accept Staff's net decrease of \$10,012 to Employee Pensions as the amounts are known and measurable based on current Salaries and Wages at current contribution levels.⁶¹

The Commission finds Staff's recommended adjustments are reasonable and should be accepted. Meade District's Employee Pensions should be decreased by a net of \$10,012 because the modified contribution expense accounts for the normalization of

⁶⁰ Staff's Report at 13–15.

⁶¹ Staff's Report at 13–15.

Salaries and Wages and the corresponding update to the required contribution percent by CERS and conforms with general accounting principles.

Purchased Water Expense. Meade District purchases water from Hardin District No. 1.⁶² In its most recent purchased water adjustment case, Hardin District No. 1 increased its wholesale rate to \$.00341 per gallon, effective October 31, 2025.⁶³ Staff reviewed the General Ledger⁶⁴ and the 2024 Annual Report⁶⁵ and determined Meade District was inconsistent in the amount that is paid to Hardin District No. 1 per gallon, ranging from \$.00328 in March 2024 to \$.00423 in January 2024, as shown in the following table.⁶⁶

⁶² 2024 Annual Report at 54.

⁶³ Case 2025-00324, *Electronic Purchased Water Adjustment Filing of Hardin County Water District #1* (Ky. PSC Oct. 31, 2025).

⁶⁴ Meade District's Response to Staff's First Request, Item 3a, 3a_2024_GL.xlsx, Row 12,979, Account 615.5.2 Water Purchased.

⁶⁵ 2024 Annual Report at 52.

⁶⁶ Staff's Report at 15–17.

Period	2024 Annual Report Gallons Purchased	Reported Purchased Water Expense	Per Gallon Cost
Jan	33,256,000	\$ 140,733	\$ 0.00423
Feb	41,805,000	140,798	0.00337
Mar	34,069,000	111,842	0.00328
Apr	34,256,000	115,467	0.00337
May	34,069,000	116,322	0.00341
Jun	39,794,000	134,497	0.00338
Jul	34,520,000	116,930	0.00339
Aug	40,136,000	135,942	0.00339
Sep	35,226,000	119,269	0.00339
Oct	33,901,000	115,132	0.00340
Nov	31,564,000	108,529	0.00344
Dec	34,172,000	117,374	0.00343
Total	426,768,000	\$ 1,472,835	\$ 0.00345

Staff calculated Purchased Water Expense using the annual test-year gallons purchased and the current rates on file with the Commission, resulting in a pro forma Purchased Water Expense of \$1,455,279 as shown in the following table.⁶⁷ Staff calculated a decrease to Purchased Water Expense of \$17,556.⁶⁸

Description	Hardin County Water District #1		Total
	Gallons Purchased	Volumetric Unit Cost	
Gallons	426,768,000	\$ 0.00341	\$ 1,455,279
Test Year Purchase Water ()			(1,472,835)
Adjustment			<u>\$ (17,556)</u>

Staff recommended the Commission accept Staff's adjustment to decrease Purchased Water Expense by \$17,556, as this is a known and measurable change that

⁶⁷ Staff's Report at 15-17.

⁶⁸ Staff's Report at 15-17.

reflects the normalization of water purchased during the test year to current wholesale rate charged.⁶⁹

The Commission finds that Staff's adjustment is reasonable and should be accepted. Meade District's Purchased Water Expense should be decreased by \$17,556, as a known and measurable change that reflects the normalization of water purchased during the test year to Hardin District No. 1's current rates approved by the Commission in Case No. 2025-00324.

Rate Case Expense. In its application, Meade District proposed an adjustment to increase Rate Case Expense by \$3,112⁷⁰ to reflect the amortization of current rate case expense over three years allocated to the water division.⁷¹

Meade District contracted with Kentucky Rural Water Association (KRWA) to assist with the application.⁷² KRWA provided an estimated total cost of \$9,335, but not to exceed \$11,200 quote for consulting services to prepare the rate case.⁷³ Meade District then amortized the quoted estimate amount over three years for an annual amount of \$3,112.⁷⁴

⁶⁹ Staff's Report at 15–17.

⁷⁰ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment H.

⁷¹ Meade District's Deficiency Response, Documents inadvertently excluded from ARF application, References_Explaining_Proposed_Adjustments.pdf, Adjustment F.

⁷² Meade District's Response to Staff's First Request, Item 13a.

⁷³ Meade District's Response to Staff's Second Request, Item 6, 2-6a_Rate_Study_Proposal_Meade_County_Water_District.pdf.

⁷⁴ Meade District's Response to Staff's First Request, Item 4, 4_Rate_Model.xlsx, Rate Case Expense Tab, Row 6.

Staff agreed with the recovery of the costs over three years.⁷⁵ Additionally, Staff reviewed the rate study proposal and calculated the same amount, Staff determined an annual cost of \$3,112 is required to recover the full cost of the estimated expense.⁷⁶ Staff calculated the Annual Rate Case Expense by dividing the total rate case expense of \$9,335 over a three-year period, resulting in an annual cost of \$3,112, as shown below.

Description	Amount
Estimated Rate Case Cost	\$ 9,335
Amortization Years	3
Annual Rate Case Expense	<u>\$ 3,112</u>

Staff recommended the Commission accept Meade District’s increase of \$3,112 to Rate Case Expense to reflect the recovery of the estimated Total Rate Case Expense over a three-year period.⁷⁷

The Commission finds Staff’s recommended adjustment is reasonable and should be accepted. Meade District’s Amortization Expense should be increased by \$3,112 because the amounts are known and measurable based upon the invoices in the case record. Additionally, the Commission finds that a three-year amortization of Meade District’s rate case expense is reasonable and should be accepted, as this is the amount of time barring unusual circumstances, when Meade District should, or is expected to file a new rate case.⁷⁸

⁷⁵ Staff’s Report at 17–18.

⁷⁶ Staff’s Report at 17–18.

⁷⁷ Staff’s Report at 17–18.

⁷⁸ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions* (Ky. PSC

Miscellaneous Expense. During Staff’s review of Meade District’s General Ledger, it identified an account expenditure for gifts which totaled \$2,275.⁷⁹ Meade District stated that the expenditures were for birthday gift cards and flowers.⁸⁰ Meade District presented invoices for some of the expenditures.⁸¹ It was unable to locate its Mastercard bills for two months; however, it identified the gifts costs for the missing invoices were \$1,964 and \$80, respectively.⁸²

Staff removed these expenses from the Miscellaneous Expense since gifts are not direct expenditures that support Meade District’s primary purpose of supplying safe, reliable drinking water. Removal of these expenses result in a decrease to Miscellaneous Expense of \$2,275 for the items shown in the table below.⁸³

Description	Amount
Birthday Gift cards	\$ 60
Birthday Gift card	30
Funeral Flowers	141
Birthday Gift cards	1,964
Funeral Flowers	80
Total	<u>\$ 2,275</u>

May 3, 2024), Order at 23 (Note that a Rehearing Order was entered in this case on Nov. 6, 2024, but was unrelated to amortization of rate case expense).

⁷⁹ Meade District’s Response to Staff’s First Request, Item 3a, 3a_2024_GL.xlsx, Row 16076, Account 646.8 Gifts.

⁸⁰ Meade District’s Response to Staff’s Second Request, Items 3b.

⁸¹ Meade District’s Response to Staff’s Second Request, Items 3b, 2-3b_Gift_Cards_Flowers.pdf.

⁸² Meade District’s Response to Staff’s Second Request, Items 3b & 3c.

⁸³ Staff’s Report at 18–19.

Staff recommended the Commission accept Staff's decrease to Miscellaneous Expense; to reflect the removal of expenses not related to the production and distribution of water service.⁸⁴

The Commission finds that Staff's adjustment is reasonable and should be accepted. Meade District's Miscellaneous Expense should be reduced by \$2,275 because gifts are not a direct expenditure for Meade District's purpose to furnish adequate, efficient and reasonable service.

Depreciation Expense. In its application, Meade District proposed an adjustment to increase Depreciation Expense by \$5,942⁸⁵ to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Utilities* (NARUC Study).⁸⁶ To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the 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.⁸⁷ Upon examination, Staff agreed with Meade District's methodology to adjust Depreciation Expense.⁸⁸ However, Staff

⁸⁴ Staff's Report at 18–19.

⁸⁵ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment G.

⁸⁶ Meade District's Deficiency Response, Documents inadvertently excluded from ARF application, References_Explaining_Proposed_Adjustments.pdf, Adjustment G.

⁸⁷ 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 No. 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 No. 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

⁸⁸ Staff's Report at 19–22.

calculated amounts different from Meade District in three sub-categories: Hydrants, Services, and Mechanical and Radio Read Meters.⁸⁹

When Meade District calculated the Depreciation Expense for Hydrants, it proposed to depreciate them over 50 years;⁹⁰ however, when it calculated the amount, it used a 40-year service life.⁹¹ Second, when Meade District calculated the Depreciation Expense on Services, it misclassified them as a tank fence and depreciated them over 37.5 years; the NARUC Study recommends a 40-year service life. Finally, Meade District proposed a service life for both Mechanical and Radio Read meters of 20 years. The NARUC study recommends service life for mechanical meters of 35-45 years, and unless evidence is supplied to justify a different useful life, radio read meters will be depreciated over a 20-year service life.⁹² Therefore, Staff calculated depreciation for the Radio Read meters over a 20-year service life and mechanical meters over a 40-year service life.⁹³

In addition, Staff disagreed with Meade District's inclusion of the 2023 Water System Improvements Project.⁹⁴ Meade District confirmed the project has not been

⁸⁹ Staff's Report at 19–22.

⁹⁰ Meade District's Response to Staff's First Request, Item 4, 4_Rate_Model.xlsx, Depreciation Tab, Row 28.

⁹¹ Meade District's Response to Staff's First Request, Item 14, 14_Depreciation_Auditor.pdf, Hydrants (335).

⁹² Case No. 2024-00061, *Electronic Application of Butler County Water System, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 1, 2024), Order at 19–20. Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate Adjustment Pursuant To 807 KAR 5:076* (Ky. PSC Oct. 29, 2024), Order at 21–22.

⁹³ Staff's Report at 19–22.

⁹⁴ Meade District's Response to Staff's First Request, Item 4, 4_Rate_Model.xlsx, Depreciation Tab, Row 36.

placed into service and should go out for bid the middle to end of December 2025,⁹⁵ and the best available estimate for a completion date is fourth quarter 2026.⁹⁶ Since the assets have not been placed into service and Meade District has not sought a Certificate of Public Convenience and Necessity (CPCN), Staff did not include the project in its depreciation calculation.⁹⁷

Staff calculated a Depreciation Expense of \$579,743, as shown in the following table: which is \$183,026 less than the reported test-year of \$762,769 and \$188,968 less than Meade District's proposed \$5,942 increase to Depreciation Expense.⁹⁸

Asset Class	NARUC		Depreciation Adjustment	Pro Forma Depreciation
	Recommended Service Lives	Test Year Depreciation		
Structures & Improvements (304)	35 - 40	\$ 69,584	\$ 4,053	\$ 73,637
Communication & Computer Eqmt. (340)	10	6,295	(2,987)	3,308
Power Automated Equipment (345)	10 - 15	12,021	(6,983)	5,038
Tools, Shop, & Garage Equipment (339)	15 - 120	2,492	(1,495)	997
Supply Mains (309)	50 - 75	328,380	(67,785)	260,595
Pumping Equipment (311)	20	10,735	(418)	10,317
Hydrants (335)	40 - 60	1,393	(141)	1,252
Transmission & Distribution Mains (331)	50 - 75	84,970	(30,398)	54,572
Meters (334)	35 - 45	65,921	2,229	68,150
Radio Read Meters (334)	20	129,951	(64,975)	64,976
Services	30 - 50	1,578	-	1,578
Transportation Equipment	7	49,451	(14,128)	35,323
Total		\$ 762,771	\$ (183,028)	579,743
Test Year Depreciation Expense ()				(762,769)
Staff's Adjustment				(183,026)
Meade District's Proposed Adjustment ()				(5,942)
Difference				<u>\$ (188,968)</u>

⁹⁵ Meade District's Response to Staff's Second Request, Item 1a.

⁹⁶ Meade District's Response to Staff's Second Request, Item 1d.

⁹⁷ Staff's Report at 19-22.

⁹⁸ Staff's Report at 19-22.

Staff recommended the Commission accept Staff's \$183,026 decrease to Depreciation Expense because it is a known and measurable change to reflect the annualization of Depreciation Expense at the recommended NARUC midpoint service lives for capital assets with a remaining book value and not to include the 2023 Water System Improvement Project.⁹⁹

The Commission finds that Staff's adjustment is reasonable and should be accepted. Meade District's Depreciation Expense should be decreased by \$183,026 because it is a known and measurable amount which reflects USoA requirement for assets to be depreciated over their estimated useful lives along with the exclusion of the 2023 Water System Improvement Project.

Taxes Other Than Income - FICA. In its application, Meade District proposed an adjustment to increase Taxes Other Than Income by \$2,994,¹⁰⁰ to reflect pro forma FICA¹⁰¹ tax amounts.¹⁰² As explained in the Salaries and Wages – Employees adjustment above, Staff calculated Meade District's pro forma Salaries and Wages – Employees as \$715,985. Therefore, Staff calculated the Pro Forma Payroll Taxes of \$57,068, an increase of \$6,087 to the test year Payroll Taxes of \$50,981, which is \$3,093 more than the proposed \$2,994 increase, as shown in the following table.¹⁰³

⁹⁹ Staff's Report at 19–22.

¹⁰⁰ Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment E.

¹⁰¹ Federal Insurance Contributions Act.

¹⁰² Meade District's Deficiency Response, Documents inadvertently excluded from ARF application, References_Explaining_Proposed_Adjustments.pdf, Adjustment E.

¹⁰³ Staff's Report at 22–23.

Description	Amount
Salaries and Wages - Employees	\$ 715,985
Salaries and Wages - Officers	30,000
Total Salaries and Wages	745,985
Times: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Payroll Taxes	57,068
Test Year Payroll Taxes ()	(50,981)
Commission Staff's Adjustment	6,087
Meade District's Proposed Adjustment ()	(2,994)
Difference	<u>\$ 3,093</u>

Staff recommended the Commission accept Staff's adjustment to increase Taxes Other than Income by \$6,087, because it is a known and measurable change that is a direct result from changes to Salaries and Wages – Employees.¹⁰⁴ However, as noted above, although Staff recommended an adjustment of \$6,087, a number that inadvertently did not include the difference of \$3,093, but instead calculated the pro forma using Meade District's proposed amount of \$2,994.¹⁰⁵

The Commission agrees Meade District's Taxes Other Than Income should be increased by \$6,087 because the known and measurable change is a direct result of changes to Salaries and Wages – Employees. The Commission finds that Meade District's pro forma Taxes Other Than Income should be modified. The Commission included the difference of \$3,093 in its calculations, resulting in an increase to the Revenue Requirement of \$3,093.

¹⁰⁴ Staff's Report at 22–23.

¹⁰⁵ Staff's Report at 8.

SUMMARY OF ADJUSTMENTS

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

Description	Staff's Pro Forma	Commission Adjustments	Commission Pro Forma
Total Operating Revenues	\$ 3,746,561	\$ -	\$ 3,746,561
Total Operating Expenses	(3,738,433)	(3,093)	(3,741,526)
Net Operating Income	8,128	(3,093)	5,035
Interest Income	48,698	-	48,698
Income Available to Service Debt	<u>\$ 56,826</u>	<u>\$ (3,093)</u>	<u>\$ 53,733</u>

REVENUE REQUIREMENT

The Commission has historically applied the Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations.¹⁰⁶ 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;¹⁰⁷ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

¹⁰⁶ 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), final Order at 12 and 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), final Order at 14.

¹⁰⁷ 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	Staff's Pro Forma	Commission Approved Pro Forma
Pro Forma Operating Expenses	\$ 3,738,433	\$ 3,741,526
Average Annual Principal and Interest Payments	340,636	340,636
Additional Working Capital at 20%	68,127	68,127
Total Revenue Requirement	4,147,196	4,150,289
Other Water Revenues ()	(89,684)	(89,684)
Interest Income ()	(48,698)	(48,698)
Revenue Required From Water Sales	4,008,814	4,011,907
Revenue from Sales at Present Rates ()	(3,656,877)	(3,656,877)
Required Revenue Increase / (Decrease)	\$ 351,937	\$ 355,030
Percentage Increase / (Decrease)	9.62%	9.71%

Average Annual Principal and Interest Payments and Additional Working Capital.

At the time of Staff's review, Meade District had two bonds with the United States Department of Agriculture (USDA) Rural Development (RD),¹⁰⁸ one bond with the Kentucky Bond Corporation (KBC),¹⁰⁹ and one loan with the Kentucky Infrastructure Authority (KIA).¹¹⁰ In its application, Meade District requested recovery of the Average Annual Principal and Interest on its indebtedness based on an average of the annual

¹⁰⁸ Case No. 2009-00542, *The Application of Meade 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 Jan. 21, 2010); Case No. 2021-00087, *Electronic Application of Meade 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. Mar. 25, 2021).

¹⁰⁹ Case No. 2021-00124, *Electronic Application of Meade County Water District for Approval to Enter into a Lease Agreement with the Kentucky League of Cities Leasing Trust, in an Approximate Principal Amount of \$2,260,000 for the Purpose of Refinancing Outstanding Obligations of the Meade County Water District* (Ky. PSC Apr. 13, 2021).

¹¹⁰ Case No. 2008-00390, *Application of Meade County Water District for a Certificate of Public Convenience and Necessity to Construct and Finance Water Storage Tank and Water Mains* (Ky. PSC Dec. 19, 2008).

principal, and interest and fee payments for the five years following the test year, which is 2026 through 2030.¹¹¹

Staff disagreed with Meade District's proposed Average Annual Principal and Interest Payments of \$745,625 and calculated the Average Annual Principal and Interest, of \$340,636, as shown in the following table. In its application, Meade District included a USDA/RD Bond in the amount of \$7.659 million in the calculation of Average Principal and Interest Payments.¹¹² However, Meade District has not sought approval for the loan,¹¹³ nor has the loan been issued,¹¹⁴ and is not projected to be issued until May 2027.¹¹⁵ Additionally, Meade District has not sought a CPCN for the project the loan is being used to fund.¹¹⁶ Staff did not include the \$7.659 million loan in its calculation since it has not been issued yet, and Meade District is not currently making interest or principal payments.

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, Meade District requested recovery of an allowance for working capital that is

¹¹¹ Meade District's Response to Staff's First Request, Item 4, 4_Rate_Model.xlsx, Debt Service tab.

¹¹² Meade District's Response to Staff's First Request, Item 4, 4_Rate_Model.xlsx, Debt Service tab, Row 16.

¹¹³ Meade District's Response to Staff's First Request, Item 15a.

¹¹⁴ Meade District's Response to Staff's Second Request, Item 2a.

¹¹⁵ Meade District's Response to Staff's Second Request, Item 2d.

¹¹⁶ Meade District's Response to Staff's Second Request, Item 1b.

equal to 120 percent of its average annual principal and debt payments at the time of its application for a total of \$149,125.¹¹⁷

Following the Commission’s practice,¹¹⁸ Staff agreed with Meade District’s methodology.¹¹⁹ Therefore, when the Average Annual Principal and Interest Payments of \$340,636 is used, \$68,127 is included in the revenue requirement as shown in the following table.

Loan	2026		2027		2028		2029		2030		Total
	Principal	Interest									
USDA 91-06	\$ 37,000	\$ 48,620	\$ 38,000	\$ 47,602	\$ 39,000	\$ 46,557	\$ 40,000	\$ 45,485	\$ 41,000	\$ 44,385	\$427,649
USDA 91-07	45,100	44,549	45,900	43,704	46,800	42,843	47,700	41,966	48,500	41,071	448,133
KBC 2021B	70,000	53,425	70,000	51,325	79,583	49,225	79,583	46,988	80,000	44,600	624,729
KIA F08-02	45,074	5,767	46,436	4,291	47,840	2,771	49,286	1,204	0	0	202,668
Totals	<u>\$197,174</u>	<u>\$152,362</u>	<u>\$200,336</u>	<u>\$146,922</u>	<u>\$213,223</u>	<u>\$141,396</u>	<u>\$216,569</u>	<u>\$135,642</u>	<u>\$169,500</u>	<u>\$130,056</u>	1,703,179
Divided by 5 years											5
Average Annual Principal and Interest Payments											<u>340,636</u>
Additional Working Capital at 20%											<u>\$ 68,127</u>

Staff recommended the Commission accept Staff’s inclusion of \$340,636 and \$68,127 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.¹²⁰

¹¹⁷ Documents inadvertently excluded from ARF Application, Attachment 4, Revenue Requirements Calculation, Table B, Debt Service Schedule.

¹¹⁸ 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), final Order at 27, Case No. 2023-00154, *Electronic Application of Harrison County Water Association, Inc. For An Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), final Order at 43, and 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), final Order at 21.

¹¹⁹ Staff’s Report at 24–27.

¹²⁰ Staff’s Report at 24–27.

The Commission finds Staff's calculated Average Principal and Interest payments of \$340,636 and Additional Working Capital of \$68,127 is reasonable and should be included in Meade District's Revenue Requirement because the DSC methodology allows for the recovery of the principal and interest payments and the Additional Working Capital is a direct result of the calculated Annual Debt Principal and Interest payments.

RATE DESIGN

Meade District proposed to increase all of its monthly retail water service rates evenly across the board by 27.03 percent.¹²¹ Meade District stated that it did not file a cost-of-service study (COSS) at this time.¹²² Meade District stated that it did not consider filing a COSS with the current rate application as there were no material changes in its system, and that Meade District would consider preparing a new COSS if material changes in customer usage patterns were to occur.¹²³ Meade District stated that it was unable to locate a copy of the most recent COSS performed.¹²⁴ The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable in the absence of a COSS.¹²⁵ Finding no such evidence in this case and incorporating Staff's calculated pro forma

¹²¹ Excluded Documents, Revenue_Requirement_Calculation.pdf.

¹²² Meade District's Response to Staff's First Request, Item 18a.

¹²³ Meade District's Response to Staff's First Request, Item 18b and 18c.

¹²⁴ Meade District's Response to Staff's First Request, Item 18d.

¹²⁵ Case No. 2024-00155, *Electronic Application of Cannonsburg Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Apr. 8, 2025); Case No. 2024-00242, *Electronic Application of Wood Creek Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 21, 2025); and Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 29, 2024).

revenue requirement, Staff allocated the \$355,030 revenue increase across the board to Meade District's monthly retail water service rates. The rates in Appendix B to this report are based upon the pro forma revenue requirement, as calculated by Staff, and will produce sufficient revenues from water sales to recover the \$4,011,907 revenue required from rates, an approximate 9.71 percent increase. The monthly water bill for a typical residential customer, on a 5/8 x 3/4 Inch Meter, using 3,810 gallons per month¹²⁶ will increase by \$4.53 from \$46.49 to \$51.01, or approximately 9.74 percent.

Staff recommended the Commission accept Staff's proposed rate design, as it meets the calculated revenue requirement for fair rates.¹²⁷

The Commission finds that Staff's rates in Appendix B are fair, just, and reasonable, and accepts the proposed rate design. The across-the-board increase shall be applied to Meade District's rates.

Nonrecurring Charges and Meter Connection Charges. The Commission finds the Staff's Report is consistent with recent Commission decisions, that labor expenses resulting from work performed during normal business hours should not be recovered through nonrecurring charges.¹²⁸ The Commission has found that only the marginal cost related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours. District personnel are currently paid during

¹²⁶ Application, Attachment 1.

¹²⁷ Staff's Report at 4 – 5.

¹²⁸ 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).

normal business hours, and their salaries and wages are an expense recovered in rates, thus there is no additional employee compensation nominal expense incurred to provide a nonrecurring charge service provided during regular business hours. Meade District provided updated cost justification information, which included estimated regular business hours labor costs, for all the Nonrecurring Charges.¹²⁹ In Case No. 2023-00039, the Commission previously removed labor expenses from Meade District's Nonrecurring Charges.¹³⁰ Staff used the same practice in this case and removed labor expenses as outlined in the table below. The breakdown of cost for each nonrecurring charge and any Staff adjustment can be found in Appendix A. The Commission finds that Staff's recommendation to remove labor expenses from nonrecurring charges and the revised nonrecurring charges as described in Appendix A are reasonable because only the incremental cost related to the service should be recovered for service provided during normal business hours.

Additionally, Meade District provided an updated cost justification sheet for its 5/8-inch x 3/4-inch Meter Connection.¹³¹ Staff reviewed the information provided by Meade District and recommended an increase to the meter connection charges as shown in the table below, because the higher charge is based on adjustments provided in the supporting documentation.¹³²

¹²⁹ Meade District's Response to Staff's First Request, Item 21 and Meade District's Response to Staff's Second Request, Item 11, and Meade District's Response to Staff's Third Request, Item 1, 3-1_Field_Visit_Charge.xlsx.

¹³⁰ Case No. 2023-00039, *Electronic Application of Meade County Water District for a Rate Adjustment Pursuant to 801 KAR 5:076* (Ky. PSC Jan. 5, 2024), final Order at 10.

¹³¹ Meade District's Response to Staff's First Request, Item 23.

¹³² Staff's Report at 40-41.

Description	Current Charge	Revised Charge
5/8 x 3/4 Inch Water Tap On	\$950.00	\$1,200.00
All Larger Meters	Actual Cost	Actual Cost

The Commission finds that the recommendation to increase the Meter Connection Charge, as shown above, to reflect the current expenses incurred to install new taps is reasonable in order to prevent an under recovery for tap fees.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in Staff's Report, as modified by the Commission, are supported by the evidence of record and are reasonable. Application of the DSC method to Meade District's pro forma operations results in an Overall Revenue Requirement of \$4,150,289, and that a \$355,030 revenue increase, or 9.71 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement. The rates contained in Appendix B for this order are fair, just and reasonable, based on the evidence in the record.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in Staff's Report, as modified above, are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Meade District are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Meade District on or after the date of this Order.
4. Within 20 days of the date of service of this Order, Meade 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. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:

 

Executive Director

ENTERED
MAR 10 2026
AB
KENTUCKY PUBLIC
SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00293 DATED MAR 10 2026

* Denotes Rounding

Nonrecurring Charges Adjustments

	Connection / Turn-on Charge Utility Revised Charge	Staff Revised Charge
Field Materials	-	-
Field Labor (1hr \$42.05/hr)	\$42.05	\$0.00
Office Supplies	-	-
Office Labor (0.75hr \$30.44/hr)	\$22.83	\$0.00
Transportation	\$27.51	\$27.51
Misc.	-	-
Total Revised Charge*	<u>\$92.39</u>	<u>\$28.00</u>
Current Rate	\$28.00	

	Connection / Turn-on Charge After Hours Utility Revised Charge	Staff Revised Charge
Field Materials	-	-
Field Labor (1hr \$51.31/hr)	\$51.31	\$51.31
Office Supplies	-	-
Office Labor	\$30.73	\$0.00
Transportation	\$27.51	\$27.51
Misc.	-	-
Total Revised Charge*	<u>\$109.55</u>	<u>\$79.00</u>
Current Rate	\$84.00	

	Field Visit Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (1hr \$51.31/hr)	\$51.31	
Office Supplies		

Office Labor	\$30.73	
Transportation	\$27.51	\$27.51
Misc.		
Total Revised Charge*	<u>\$109.55</u>	<u>\$28.00</u>
Current Rate	\$28.00	

	Meter Re-read Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (1hr \$42.05/hr)	\$42.05	\$0.00
Office Supplies		-
Office Labor (0.75hr \$30.44/hr)	\$22.83	\$0.00
Transportation	\$27.51	\$27.51
Misc.		-
Total Revised Charge*	<u>\$92.39</u>	<u>\$28.00</u>
Current Rate	\$28.00	

	Meter Re-read (After Hours) Utility Revised Charge	Staff Revised Charge
Field Materials		-
Field Labor (1hr \$56.31/hr)	\$56.31	\$56.31
Office Supplies		-
Office Labor	\$19.05	\$0.00
Transportation	\$27.51	\$27.51
Misc.		-
Total Revised Charge*	<u>\$102.87</u>	<u>\$84.00</u>
Current Rate	\$84.00	

	Service Call/ Investigation Utility Revised Charge	Staff Revised Charge
Field Materials		-
Field Labor	\$42.05	\$0.00
Office Supplies		-
Office Labor	\$22.83	\$0.00

Transportation	\$27.51	\$27.51
Misc.	-	-
Total Revised Charge*	<u>\$92.39</u>	<u>\$28.00</u>
Current Rate	\$28.00	

Service Call/ Investigation (After Hours)

	Utility Revised Charge	Staff Revised Charge
Field Materials	-	-
Field Labor (1hr \$51.31/hr)	\$51.31	\$51.31
Office Supplies	-	-
Office Labor	\$30.73	\$0.00
Transportation	\$27.51	\$27.51
Misc.	-	-
Total Revised Charge*	<u>\$109.55</u>	<u>\$79.00</u>
Current Rate	\$84.00	

Returned Check Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	-	-
Field Labor	-	-
Office Supplies	-	-
Office Labor	\$38.09	\$0.00
Transportation	-	-
Misc. (Return Check Fee)	\$15.00	\$15.00
Total Revised Charge*	<u>\$53.09</u>	<u>\$15.00</u>
Current Rate	\$15.00	

Meter Test

	Utility Revised Charge	Staff Revised Charge
Field Materials	-	-
Field Labor (1hr \$40.21/hr)	\$40.21	\$0.00
Office Supplies	-	-

Office Labor	-	
Transportation	-	
Misc. (Service Call/ Investigation)	\$85.00	\$28.00
Total Revised Charge*	<u>\$125.21</u>	<u>\$28.00</u>
Current Rate	\$28.00	

	Reconnection Charge Utility Revised Charge	Staff Revised Charge
Field Materials	-	
Field Labor (1hr \$42.05/hr)	\$42.05	\$0.00
Office Supplies	-	
Office Labor (0.75hr \$30.44/hr)	\$22.83	\$0.00
Transportation	\$27.51	\$27.51
Misc. (Bank Charge)	-	
Total Revised Charge*	<u>\$92.39</u>	<u>\$28.00</u>
Current Rate	\$28.00	

	Meter Tampering Charge Utility Revised Charge	Staff Revised Charge
Field Materials	-	
Field Labor (1hr \$42.05)	\$42.05	\$0.00
Office Supplies	-	
Office Labor (0.75hr \$30.44/hr)	\$22.83	\$0.00
Transportation	-	
Misc. (Bank Charge)	\$27.51	\$27.51
Total Revised Charge*	<u>\$92.39</u>	<u>\$28.00</u>
Current Rate	\$28.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00293 DATED MAR 10 2026

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

Monthly Water Rates

All Meter Sizes

First	2,000 Gallons	\$27.14	Minimum Bill
Next	5,000 Gallons	0.01319	Per Gallon
Next	10,000 Gallons	0.01275	Per Gallon
Next	20,000 Gallons	0.01177	Per Gallon
Over	37,000 Gallons	0.01037	Per Gallon
Bulk Station Sales		0.00973	Per Gallon

Wholesale Rate Volume Charge

Doe Valley Water System	0.00698	Per Gallon
Otter Creek Water System	0.00715	Per Gallon

Nonrecurring Charges

Connection / Turn-on Charge	\$28.00
Connection / Turn-on Charge (After Hours)	\$79.00
Field Visit	\$28.00
Meter Re-read Charge	\$28.00
Meter Re-read (After Hours)	\$84.00
Service Call/ Investigation	\$28.00
Service Call/ Investigation (After Hours)	\$79.00
Returned Check Charge	\$15.00
Meter Relocation Charge	Actual Cost
Meter Test	\$28.00
Reconnection Charge	\$28.00
Meter Tampering Charge	\$28.00

Meter Connection/Tap On Charges

5/8 x 3/4 Inch Water Tap On
All Larger Meters

\$1,200.00
Actual Cost

*Robert K. Miller
Straightline Kentucky LLC
113 North Birchwood Ave.
Louisville, KY 40206

*Meade County Water District
1003 Armory Place
P. O. Box 367
Brandenburg, KY 40108

*Brett Pyles
Manager
Meade County Water District
1003 Armory Place
P. O. Box 367
Brandenburg, KY 40108

*Richard Shufelt
Skeeters, Bennett, Wilson & Humphrey
550 W. Lincoln Trail Boulevard
Radcliff, KY 40160

*Sam Reid
312 N. Jackson Street
Perryville, KY 40468