

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TREATED SEWAGE	)	CASE NO.
ADJUSTMENT FILING OF JESSAMINE-	)	2021-00234
SOUTH ELKHORN WATER DISTRICT	)	

ORDER

On July 16, 2021, Jessamine-South Elkhorn Water District (Jessamine-South Elkhorn District) applied for approval to adjust its rates pursuant to the treated sewage adjustment procedure.<sup>1</sup>

An examination of finances outlined in the annual reports<sup>2</sup> and audit reports<sup>3</sup> filed with the Commission finds that Jessamine-South Elkhorn District has been operating with a negative net income from 2015 through 2019.

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<sup>1</sup> KRS 278.015; 807 KAR 5:075.

<sup>2</sup> *Annual Report of Jessamine-South Elkhorn Water District to the Public Service Commission for the Calendar Year Ended December 31, 2015* at 25; *Annual Report of Jessamine-South Elkhorn Water District to the Public Service Commission for the Calendar Year Ended December 31, 2016* at 25; *Annual Report of Jessamine-South Elkhorn Water District to the Public Service Commission for the Calendar Year Ended December 31, 2017* at 25; *Annual Report of Jessamine-South Elkhorn Water District to the Public Service Commission for the Calendar Year Ended December 31, 2018* at 25; *Annual Report of Jessamine-South Elkhorn Water District to the Public Service Commission for the Calendar Year Ended December 31, 2019* at 25.

<sup>3</sup> *Audit Report of Jessamine-South Elkhorn Water & Sewer District to the Public Service Commission for the Calendar Year Ended December 31, 2015* at 10 and 12; *Audit Report of Jessamine-South Elkhorn Water & Sewer District to the Public Service Commission for the Calendar Year Ended December 31, 2016* at 9 and 11; *Audit Report of Jessamine-South Elkhorn Water & Sewer District to the Public Service Commission for the Calendar Year Ended December 31, 2017* at 9 and 11; *Audit Report of Jessamine-South Elkhorn Water & Sewer District to the Public Service for the Calendar Year Ended December 31, 2018* at 9 and 11; *Audit Report of Jessamine-South Elkhorn Water & Sewer District to the Public Service Commission for the Calendar Year Ended December 31, 2019* at 9 and 11.

Year	2015	2016	2017	2018	2019
Sewer Net Income	\$ (313,012)	\$ (298,040)	\$ (296,167)	\$ (255,489)	\$ (314,544)
Add: Depreciation Expense	237,750	244,884	266,339	280,808	281,892
Cash Basis Income	(\$75,262)	(\$53,156)	(\$29,828)	\$25,319	(\$32,652)
Year	2015	2016	2017	2018	2019
Cash and Cash Equivalents	\$ 103,225	\$ 160,346	\$ 48,574	\$ 78,697	\$ 82,669
Restricted Funds	189,500	276,097	319,152	355,794	314,741
Net Increase (Decrease) in Cash	(193,067)	143,718	(68,747)	66,765	(37,081)

Additionally, Staff found a payable expense of \$341,334 from the sewer division that corresponds to a receivable in the same amount to the water division.<sup>4</sup> This indicates that there may be subsidization of the sewer division by the water division.

The Commission notes that in the final Order of Case No. 2020-00382, Jessamine-South Elkhorn District was ordered to file for an adjustment in base rates or file for an alternative rate filing within one year of the date of the filing of the Order.<sup>5</sup> It was not specifically stated that Jessamine-South Elkhorn District should file for an adjustment in base rates for both water and sewer divisions. However, in order to avoid any confusion, the Commission clarifies that Jessamine-South Elkhorn District shall file for a simultaneous adjustment in base rates for its sewer division as well as its water division. In consideration of the short time between now and the previously expected file date of

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<sup>4</sup> *Audit Report of Jessamine-South Elkhorn Water & Sewer District to the Public Service Commission for the Calendar Year Ended December 31, 2019* at 10.

<sup>5</sup> Case No. 2020-00382, *Electronic Application of Jessamine-South Elkhorn Water District for Approval to Enter into a Lease Agreement with the Kentucky Association of Counties Leasing Trust in an Approximate Principal Amount of \$2,515,000 for the Purpose of Refinancing All Outstanding Obligations of the Jessamine-South Elkhorn Water District* (Ky. PSC Jan. 29, 2021), final Order at 6.

January 29, 2021, the Commission finds that Jessamine-South Elkhorn District shall be granted an extension to file its simultaneous rate adjustment no later than March 1, 2022.

Having reviewed the record and being sufficiently advised, the Commission finds that:

1. Jessamine-South Elkhorn District purchases sewage treatment services from Lexington-Fayette Urban County Government (LFUCG).

2. LFUCG notified Jessamine-South Elkhorn District that, effective for sewage services rendered on and after July 1, 2021, LFUCG's wholesale sewage treatment rate to Jessamine-South Elkhorn District would increase from \$6.75 per 100 cubic feet to \$7.03 per 100 cubic feet. Jessamine-South Elkhorn District proposes to increase the rates to its customers effective July 1, 2021, to reflect the increased cost of treated sewage.

3. Jessamine-South Elkhorn District proposes a treated sewage adjustment factor of \$0.38 per 1,000 gallons.

4. Jessamine-South Elkhorn District bills for sewage collection and treatment services based upon a customer's water usage.

5. During the 12-month period that ended May 31, 2021, Jessamine-South Elkhorn District's sewer customers receiving service from LFUCG used 9,937,845.63 cubic feet of water (74,340,253 gallons of water). The increase in the cost of treated sewage is \$27,825.97, resulting in a treated sewage adjustment factor of \$0.38 per 1,000 gallons.<sup>6</sup>

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<sup>6</sup> Jessamine-South Elkhorn District's rates are calculated per 1,000 gallons. The treated sewage adjustment factor of \$0.28 per 100 cubic feet converts to a per-1,000-gallons adjustment factor of \$0.38 ( $\$0.28 \text{ per } 100 \text{ cubic feet} / .748 = \$0.38 \text{ per } 1,000 \text{ gallons}$ ).

6. The treated sewage adjustment factor of \$0.38 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved.

7. Jessamine-South Elkhorn District's proposed rates, as set forth in Appendix B to this Order, are fair, just and reasonable and should be approved for sewer service rendered by Jessamine-South Elkhorn District on and after July 1, 2021.

IT IS THEREFORE ORDERED that:

1. The treated sewage adjustment factor of \$0.38 per 1,000 gallons is approved.

2. The rates proposed by Jessamine-South Elkhorn District are approved.

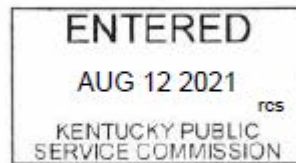
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Jessamine-South Elkhorn District on and after July 1, 2021.

4. Within 20 days of the date of this Order, Jessamine-South Elkhorn District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

5. Jessamine South-Elkhorn District shall file for an adjustment in both its water and sewer division base rates or file for an alternative rate filing no later than March 1, 2022, to ensure that its rates are sufficient.

6. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2021-00234 DATED AUG 12 2021

	New Rate	Base Rate
Jessamine-South Elkhorn District LFUCG Water consumption		
Cubic feet	9,937,845.63	9,937,845.63
Volumetric rate	<u>\$ 7.03/100</u>	<u>\$ 6.75/100</u>
	\$ 698,630.55	\$ 670,804.58

Increased treatment cost \$27,825.97

Increased treatment cost	\$ 27,825.97
Divided by cubic feet sold/100	<u>9,937,845.63</u>
	\$ 0.2800 per 100 cubic feet
	or \$ 0.3743 per 1,000 Gallons
	or \$ 0.38 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2021-00234 DATED AUG 12 2021

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

Monthly Sewer Rates

First	2,000 Gallons	\$26.84 Minimum Bill
Over	2,000 Gallons	0.01342 per gallon

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