

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF CALDWELL)	
COUNTY WATER DISTRICT TO EXTEND)	CASE NO.
DEADLINE FOR FILING OF RATE)	2021-00217
ADJUSTMENT REQUIRED IN CASE NO.)	
2019-00444)	

ORDER

On May 24, 2021, Caldwell County Water District (Caldwell District) filed an application for an extension of time in which to file an application for a rate adjustment that was ordered by the Commission to be filed before June 15, 2021, in Case No. 2019-00444.¹

Caldwell District asks the Commission to relieve it from the requirement to file an application for an adjustment in rates before June 15, 2021, and to grant it an extension to file an application for a rate adjustment on or before February 28, 2022.² For the reasons stated below, the Commission denies this request.

The Commission explained in its June 15, 2020 Order, that Caldwell District indicated it was experiencing sabotage and was not including that water in its total unaccounted for water in Case No. 2019-00311.³ The Commission noted that Caldwell

¹ Case No. 2019-00444, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Princeton Water and Wastewater* (Ky. PSC June 15, 2020).

² Application at 3.

³ Case No. 2019-00311, *Application of Caldwell County Water District for Approval to Enter into a Lease Agreement with the Kentucky Association of Counties Leasing Trust for an Approximate Principal Amount of \$1,710,000 for the Purpose of Refinancing Outstanding Obligations* (Ky. PSC Oct. 30, 2019) at

District reported a water loss of 12.7 percent in its 2018 Annual Report.⁴ The Commission continued noting that Caldwell District identified 5.4 million gallons of water as “unverified sabotage” and found that Caldwell District should have accounted for that water as water loss, thus increasing Caldwell District’s water loss to 18.2 percent.⁵ Furthermore, the fact that the Commission has expressed its concern that the revenue of Caldwell District may not be sufficient to support adequate and reliable service, and that the Commission has ordered the filing of a general rate adjustment is evidence of the seriousness with which the Commission approaches this issue. Attached to this Order, as an Appendix, is an analysis of Caldwell District’s finances prepared by Commission Staff using the annual reports and audit reports submitted to the Commission by Caldwell District since 2015. The Commission’s analysis shows that Caldwell District was in compliance with the Debt Service Coverage (DSC) requirements of its lenders for the six years in the analysis. However, unlike Caldwell District’s lenders, the Commission includes noncash items such as depreciation expense in the DSC calculation supporting the revenue requirement of water districts and associations⁶ and therefore, the Commission remains concerned that

1–2. See also, Case No. 2019-00444, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Princeton Water and Wastewater* (Ky. PSC June 15, 2020) at 37–38.

⁴ *Annual Report of Caldwell County Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2018* (2018 Annual Report) at 57.

⁵ Case No. 2019-00311, *Application of Caldwell County Water District for Approval to Enter into a Lease Agreement with the Kentucky Association of Counties Leasing Trust for an Approximate Principal Amount of \$1,710,000 for the Purpose of Refinancing Outstanding Obligations* (Ky. PSC Oct. 30, 2019) at 1–2. See also, Case No. 2019-00444, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Princeton Water and Wastewater* (Ky. PSC June 15, 2020) at 37–38.

⁶ See Case No. 2019-00424, *Electronic Application of Grant County Sanitary Sewer District for an Alternate Rate Adjustment* (Ky. PSC May 6, 2020); See Case No. 2020-00020, *Alternative Rate Adjustment Filing of Knox County Utility Commission* (Ky. PSC July 22, 2020); and See Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020).

the revenue of Caldwell District may not be sufficient for it to continue to meet its statutory obligation to provide adequate and reliable service.

Despite having nearly a year in which to prepare an application or schedule assistance from an outside consultant, Caldwell District waited until April 26, 2021, to contact Kentucky Rural Water Association (KRWA) for assistance in preparing an application.⁷ Had KRWA been able to provide immediate assistance, this would have allowed KRWA and Caldwell District barely 45 days to prepare and file an application by June 15, 2021. Further, Caldwell District filed its motion requesting an extension of time merely three weeks before the application was due to be filed, after having been ordered to file the rate case a year before. Such action is concerning to the Commission that lack of attention to important matters may extend to other aspects of Caldwell District's management and operation. The Commission expects Caldwell District will file for an adjustment in base rates or an alternative rate filing on or before November 15, 2021.

For the above stated reasons, the Commission finds that Caldwell District's motion for an extension of time in which to file an application for an adjustment in rates should be denied.

IT IS THEREFORE ORDERED that:

1. Caldwell District's application for an extension of time in which to file an application for an adjustment in rates is denied.
2. This case is closed and removed from the Commission's docket.

⁷ Caldwell District Response to Commission Staff's Request for Information (filed July 1, 2021), Item 1.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00217 DATED AUG 16 2021

Caldwell County Water District
Analysis of Financial Statements⁸

Annual Reports	2015	2016	2017	2018	2019	2020
Net Income	\$ (341,914)	\$ (375,618)	\$ (46,675)	\$ 24,248	\$ 124,554	\$ 199,280
Less: Annual Principal Payment	(83,000)	(86,500)	(99,500)	(99,000)	(88,000)	(80,000)
Add: Depreciation Expense	390,573	393,659	222,305	228,455	232,485	234,537
Working Capital	\$ (34,341)	\$ (68,459)	\$ 76,130	\$ 153,703	\$ 269,039	\$ 353,817

Audited Financial Statements	2015	2016	2017	2018	2019	2020
Cash and Cash Equivalents	\$ 223,634	\$ 223,634	\$ 506,238	\$ 680,104	\$ 792,738	
Depreciation Fund	\$ 367,459	\$ 367,459	\$ 362,262	\$ 342,850	\$ 367,897	
Net Increase (Decrease) in Cash	\$ (176,341)	\$ (176,341)	\$ 282,604	\$ 173,866	\$ 112,634	

Revenue Requirement - Commission						
	2015	2016	2017	2018	2019	2020
Operating Revenue	\$ 1,088,248	\$ 1,186,209	\$ 1,313,161	\$ 1,316,056	\$ 1,348,444	\$ 1,342,982
Less: Operating Expenses	(1,283,249)	(1,428,797)	(1,230,892)	(1,166,934)	(1,096,951)	(1,130,351)
Add: Non Operating Income	1,844	987	342	634	646	1,188
Net Available for Debt Service	(193,157)	(241,601)	82,611	149,756	252,139	213,819
Annual Debt Service	222,335	223,830	238,030	228,146	232,251	138,750
Debt Service Coverage	(0.87)	(1.08)	0.35	0.66	1.09	1.54

Revenue Requirement - Lenders						
	2015	2016	2017	2018	2019	2020
Operating Revenue	\$ 1,088,248	\$ 1,186,209	\$ 1,313,161	\$ 1,316,056	\$ 1,348,444	\$ 1,342,982
Less: Operating Expenses	(1,283,249)	(1,428,797)	(1,230,892)	(1,166,934)	(1,096,951)	(1,130,351)
Add: Non Operating Income	1,844	987	342	634	646	1,188
Net Available for Debt Service	(193,157)	(241,601)	82,611	149,756	252,139	213,819
Add: Depreciation	390,573	393,659	222,305	228,455	232,485	234,537
Net Available for Debt Service	197,416	152,058	304,916	378,211	484,624	448,356
Annual Debt Service	222,335	223,830	238,030	228,146	232,251	138,750
Debt Service Coverage	0.89	0.68	1.28	1.66	2.09	3.23

⁸ 2020 Principal and Interest payments. Case No. 2019-00311, *Application of Caldwell County Water District for Approval to Enter Into a Lease Agreement with the Kentucky Association of Counties Leasing Trust for an Approximate Principal Amount of \$1,710,000 for the Purpose of Refinancing Outstanding Obligations* (Ky. PSC Oct. 30, 2019), Application, Exhibit A-1 Estimated Debt Service.

Annual Debt Service: Bonds, KIA, and KaCO Lease

	2015	2016	2017	2018	2019	2020
Interest Expense	\$ 139,335	\$ 137,330	\$ 138,530	\$ 129,146	\$ 144,251	\$ 58,750
Principal - Bond & KIA	83,000	86,500	99,500	99,000	88,000	80,000
Annual Debt Service	<u>\$ 222,335</u>	<u>\$ 223,830</u>	<u>\$ 238,030</u>	<u>\$ 228,146</u>	<u>\$ 232,251</u>	<u>\$ 138,750</u>

Principal

	2015	2016	2017	2018	2019	2020
Bonds	\$ 73,000	\$ 76,500	\$ 79,500	\$ 84,000	\$ 88,000	\$ 80,000
KIA	10,000	10,000	20,000	15,000		
Annual Debt Service	<u>\$ 83,000</u>	<u>\$ 86,500</u>	<u>\$ 99,500</u>	<u>\$ 99,000</u>	<u>\$ 88,000</u>	<u>\$ 80,000</u>

Interest

	2015	2016	2017	2018	2019	2020
Bonds	\$ 136,813	\$ 135,234	\$ 131,922	\$ 128,478	\$ 144,251	\$ 58,750
KIA	2,522	2,096	6,608	668		
Annual Debt Service	<u>\$ 139,335</u>	<u>\$ 137,330</u>	<u>\$ 138,530</u>	<u>\$ 129,146</u>	<u>\$ 144,251</u>	<u>\$ 58,750</u>

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