

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTH)	
MARSHALL WATER DISTRICT FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY TO CONSTRUCT A SYSTEM)	CASE NO.
IMPROVEMENTS PROJECT AND AN ORDER)	2021-00333
APPROVING A CHANGE IN RATES AND)	
AUTHORIZING THE ISSUANCE OF)	
SECURITIES PURSUANT TO KRS 278.023)	

ORDER

On September 17, 2021, the Commission entered an Order approving North Marshall Water District’s (North Marshall District) request for financing from the U.S. Department of Agriculture Rural Development (RD) and a rate increase required by RD, and granting the utility’s request for a Certificate of Public Convenience and Necessity (CPCN) for North Marshall District’s proposed water systems improvements. The Commission directed that the case remain open pending further investigation of North Marshall District’s financial condition.

North Marshall District’s last general rate case was in 2010.¹ An examination of finances outlined in the annual and audit reports filed with the Commission finds that North Marshall District has operated with a negative net income for four of the past five years, as shown below.

¹ Case No. 2010-00247, *Application for Adjustment of Water Rates of North Marshall Water District* (Ky. PSC Oct. 5, 2010).

Year	2016	2017	2018	2019	2020
Net Income before Contributions	\$ 49,991	\$ (274,164)	\$ (254,254)	\$ (367,447)	\$ (551,860)
Less: Principal Payments	-	-	(58,500)	(60,000)	(62,000)
Add: Depreciation Expense	332,592	393,191	407,876	441,706	425,741
Cash Basis Income	\$ 382,583	\$ 119,027	\$ 95,122	\$ 14,259	\$ (188,119)

Year	2016	2017	2018	2019	2020
Cash and Cash Equivalents	\$ 948,608	\$ 1,191,111	\$ 1,340,169	\$ 1,161,667	\$ 781,806
Restricted Funds - Sinking, Depreciation	53,417	62,214	57,557	57,628	60,621
Net Increase (Decrease) in Cash	265,635	251,300	145,301	(179,331)	(376,868)

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North Marshall District’s cash reserves are, historically, somewhat stable, though the Commission notes a drastic reduction in cash in both 2019 and 2020.

North Marshall District reported a water loss of 33.53 percent in its 2020 Annual Report.³ Commission regulation 807 KAR 5:066(6)(3) states that, for ratemaking purposes, a utility’s unaccounted-for water loss shall not exceed 15 percent of the total water produced and purchased, excluding water used by a utility in its own operations. At the rates approved in the September 17, 2021 Order, reduction of North Marshall District’s unaccounted-for water loss to 15 percent would result in an approximate \$35,544 decrease to its cost of water annually.⁴ The Commission also notes that at the

² 2016 Audit Report of North Marshall District at 4–13, 2018 Audit Report of North Marshall District at 4–13, and 2020 Audit Report of North Marshall District at 4–13.

³ *Annual Report of North Marshall Water District to the Public Service Commission for the Year Ending December 31, 2020* (2020 Annual Report) at 58.

⁴

	Purchased Power	Purchased Chemicals	Total
2020 Reported Expenses	\$ 162,988	\$ 28,829	\$ 191,817
Multiplied by: Water Loss In Excess of 15 Percent	18.53%	18.53%	18.53%
Excess Cost	\$ 30,202	\$ 5,342	\$ 35,544

rates approved in the September 17, 2021 Order, North Marshall District’s total cost of water loss is \$64,316 annually at the current 33.53 percent rate.⁵

Based on the above discussion, the Commission finds that, while the rate increase associated with the RD financing will help North Marshall District’s financial situation and should keep it in good standing with RD, North Marshall District’s circumstances have not changed sufficiently. Due to North Marshall District’s financial condition, the Commission finds that North Marshall District should file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076 within one year of the date of the issuance of this Order. By filing for a general rate adjustment, North Marshall District will ensure that its revenue is sufficient to support adequate and reliable service, and to address their finances and water loss. In the alternative to filing an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076, North Marshall District may file a formal motion with detailed analysis of its rates and revenues, and a statement of the reasons why a rate case is not necessary. Any filing under KRS 278.023 does not relieve North Marshall District from this requirement.

IT IS THEREFORE ORDERED that:

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	Purchased Power	Purchased Chemicals	Total
2020 Reported Expenses	\$ 162,988	\$ 28,829	\$ 191,817
Multiplied by: Water Loss Percentage	33.53%	33.53%	33.53%
Excess Cost	<u>\$ 54,650</u>	<u>\$ 9,666</u>	<u>\$ 64,316</u>

1. North Marshall District shall file either an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076 within one year of the date of the issuance of this Order, or shall file a formal motion with detailed analysis of its rates and revenues, and a statement of the reasons why a rate case is not necessary within one year of the issuance of this Order.

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

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By the Commission

ENTERED
FEB 21 2022
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KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2021-00333

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