

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LETCHER)	CASE NO.
COUNTY WATER AND SEWER DISTRICT FOR)	2022-00081
DEVIATION FROM 807 KAR 5:006, SECTION 7)	

ORDER

On April 7, 2022, Letcher County Water and Sewer District (Letcher District) filed a motion for a deviation from certain billing and rate notice regulations until July 1, 2023. Letcher District was cited for failing to include the date of issuance on customer bills and for not providing customers with a copy of rate schedules in accordance with Commission regulations during an inspection by Commission Staff that was conducted on November 3, 2021.

LEGAL STANDARD

The applicable regulations from which Letcher District requests to deviate are contained in 807 KAR 5:006. Commission regulation 807 KAR 5:006, Section 28 authorizes the Commission to permit deviations from the regulations in 807 KAR 5:006 for good cause shown.

Letcher District requests to deviate from 807 KAR 5:006, Section 7(1)(a)(1), which provides that “[e]ach bill for utility service issued periodically by a utility shall clearly show: 1. [t]he date the bill was issued; . . .” Letcher District also requests to deviate from 807 KAR 5:006, Section 7(1)(b), which states:

The rate schedule under which the bill is computed shall be posted on the utility’s Web site, if it maintains a Web site, and

shall also be furnished under one (1) of the following methods, by:

1. Printing it on the bill;
2. Publishing it in a newspaper of general circulation once each year;
3. Mailing it to each customer once each year; or
4. Providing a place on each bill for a customer to indicate the customer's desire for a copy of the applicable rates. . . .”

REQUEST TO DEVIATE

Letcher District argued that it should be granted a deviation from the application of 807 KAR 5:006, Section 7(1)(a)(1) because the software that Letcher District uses to print its bills does not permit printing the issuance date on bills. Letcher District stated that it contacted its software provider, who indicated it could add this function at a cost of \$20,450, but that implementation would take several months.¹ Letcher District argued that it currently has limited funds available and has other expenditures that are more critical to providing adequate and continuous water and sewer service to its customers. Letcher District sought time to examine alternatives to obtaining the software upgrade, as well as exploring possible funding sources for the purchase of an upgrade.²

Letcher District also asked for a deviation from the application of 807 KAR 5:006, Section 7(1)(b), asserting that its rates are viewable on its website and that it has arranged to publish them yearly in the *Mountain Eagle* newspaper in compliance with the regulation.³

¹ Application (filed Apr. 7, 2022), paragraph 10.

² Application, paragraph 12.

³ Application, paragraph 14.

DISCUSSION AND FINDINGS

Having considered the motion and the material at issue, the Commission finds that the motion is granted, subject to certain conditions. Letcher District submitted an Alternative Rate Filing (ARF) application in 2017.⁴ In that case, the Commission found that the revenue requirement was \$1,782,599 and that a \$585,813 revenue increase, or 54.89 percent, was required to achieve the requirement.⁵ Letcher District requested, and the Commission granted, a lower rate increase of 25 percent.⁶

Using the Commission's debt service methodology, Letcher District still needs a revenue increase as initially recommended in 2017. This is because Letcher District maintained minimal working capital and failed to meet its 1.2 debt service ratio in 2019 as required by lenders.⁷

Based on the financial burden of complying with the applicable regulations and Letcher District's financial condition, the Commission concludes that Letcher District does not have the financial resources and thus is unable to presently comply with the applicable regulations. For the reason, the Commission finds that Letcher District has shown good cause for the granting Letcher District's request to deviate from 807 KAR 5:006, Section 7(1)(a)(1) and Section 7(1)(b). The Commission further finds that Letcher District's request to deviate from these regulations is approved, subject to the condition that Letcher District file a general rate case or ARF pursuant to 807 KAR 5:076 within six

⁴ Case No. 2017-00211, *Electronic Application of Letcher County Water and Sewer District for Alternative Rate Adjustment*.

⁵ Case No. 2017-00211, Dec. 6, 2017 Order at 1.

⁶ Case No. 2017-00211, Dec. 6, 2017 Order at 1.

⁷ See Appendix to this Order.

months of the entry of this order and that Letcher District post its rate schedule in the utility's office and on its website.

IT IS THEREFORE ORDERED that:

1. Letcher District's motion for deviation is granted until July 1, 2023, subject to compliance with the conditions set forth in ordering paragraphs 2 and 3.

2. Letcher District shall file an application for an alternative rate adjustment pursuant to 807 KAR 5:076 or an application for a rate adjustment pursuant to KRS 278.190 within six months from the date of this Order.

3. Letcher District shall publish rates in the *Mountain Eagle* newspaper annually, starting no later than July 1, 2023.

4. Letcher District shall continue to post its rates on its website.

5. Letcher District shall make rates available for viewing at its physical locations.

6. This case is closed and shall be removed from the docket.

PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman

Commissioner



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2022-00081 DATED JUN 21 2022

LETCHER DISTRICT WORKING CAPITAL/DEBT SERVICE 2017-20

	2017	2018	2019	2020
Net Income	\$ (615,811)	\$ (529,868)	\$ (741,832)	\$ (676,256)
Less: Annual Principal Payment	(91,786)	(78,593)	(80,439)	(82,789)
Add: Depreciation Expense	764,024	774,378	799,869	801,165
Working Capital	<u>\$ 56,427</u>	<u>\$ 165,917</u>	<u>\$ (22,402)</u>	<u>\$ 42,120</u>

Revenue Requirement - Commission				
	2017	2018	2019	2020
Operating Revenue	\$ 1,181,947	\$ 1,451,740	\$ 1,423,943	\$ 1,639,181
Less: Operating Expenses	(1,794,011)	(1,998,912)	(2,209,453)	(2,303,337)
Add: Non Operating Income	84,139	103,154	127,730	69,576
Net Available for Debt Service - Commission	█ (527,925)	█ (444,018)	█ (657,780)	█ (594,580)
Annual Debt Service	180,546	164,940	163,045	164,458
Debt Service Coverage - Commission	<u>(2.92)</u>	<u>(2.69)</u>	<u>(4.03)</u>	<u>(3.62)</u>

Revenue Requirement - Lenders				
	2017	2018	2019	2020
Operating Revenue	\$ 1,181,947	\$ 1,451,740	\$ 1,423,943	\$ 1,639,181
Less: Operating Expenses	(1,794,011)	(1,998,912)	(2,209,453)	(2,303,337)
Add: Non Operating Income	84,139	103,154	127,730	69,576
Net Available for Debt Service - Commission	(527,925)	(444,018)	(657,780)	(594,580)
Add: Depreciation	764,024	774,378	799,869	801,165
Net Available for Debt Service - Lenders	236,099	330,360	142,089	206,585
Annual Debt Service	180,546	164,940	163,045	164,458
Debt Service Coverage - Lenders	<u>1.31</u>	<u>2.00</u>	<u>0.87</u>	<u>1.26</u>

Annual Debt Service				
	2017	2018	2019	2020
Interest Expense Annual Report	\$ 88,760	\$ 86,347	\$ 78,593	\$ 82,789
Principal - Financial Audits	91,786	78,593	84,452	81,669
Annual Debt Service	<u>\$ 180,546</u>	<u>\$ 164,940</u>	<u>█ \$ 163,045</u>	<u>█ \$ 164,458</u>

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