

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NORTH NELSON)	2022-00146
WATER DISTRICT)	

ORDER

In the final Order issued on June 24, 2022, in this case, the Commission ordered North Nelson Water District (North Nelson District) to “file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment (ARF) pursuant to 807 KAR 5:076, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues and a statement explaining the reasons why no modifications are necessary within one year of the date of this Order.”¹ One year from the date of the final Order is June 24, 2023.

The Commission ordered North Nelson District to file for a rate case within a year because North Nelson District’s last general rate adjustment was in 1988;² and last ARF case was in 1997;³ North Nelson’s District’s only rate increases since 1997 have been due to KRS 278.023 federal financing cases and purchase water adjustments; North

¹ Order (Ky. PSC June 24, 2022) at 6.

² Case No. 19010268, *In the Matter of the Application of the North Nelson District for Authority to Adjust Rates* (Ky. PSC Sept. 29, 1988).

³ Case No. 1997-00255, *The Application of the North Nelson Water District (1) For A Certificate of Public Convenience and Necessity Authorizing Construction of Major Additions and Improvements To Its Water Distribution System; (2) Seeking Approval of Revised Water Service Rates and Charges; and (3) Seeking Approval of the Issuance of Certain Securities, Pursuant To the Issuance of Certain Securities, Pursuant To the Provisions of KRS 278.020, KRS 278.300, and KAR 5:001* (Ky. PSC June 20, 1997).

Nelson District had customer growth between 2015 and 2021, but gallons of water sold declined; and in 2021 North Nelson District's net income declined.

On June 23, 2023, North Nelson District moved for a one-year extension of time, until June 24, 2024, in which to apply for a general adjustment of rates.⁴ North Nelson District stated in its motion that it conducted a detailed analysis and that no rate adjustment is needed at this time, but the utility anticipates a rate adjustment will be necessary in 2024.⁵ North Nelson District provided a comparative income and expense summary for the past three calendar years, which reflect a positive cash flow in each of the years. For calendar year ending December 31, 2022, North Nelson District had a positive cash flow. North Nelson District stated that it will earn over \$100,000 in interest income in 2023 from its unrestricted depreciation reserves, which has a current balance of \$2,800,000.⁶ North Nelson District maintained that it incurred an extraordinary, one-time expenditure of \$126,928 in 2022 for emergency repairs to stabilize a slope failure and that the auditor did not capitalize the expense but instead classified it as an operating expense, which resulted in 2022 operating expenses higher than in 2021. North Nelson District argued that this was a one-time expense unlikely to recur in 2023 and likely would be disallowed for ratemaking purposes.⁷ For this reason North Nelson District argued that calendar year 2023 is likely to be more representative of its general operations than calendar year 2022.⁸

⁴ North Nelson District's Motion for Extension of Time (filed June 23, 2023).

⁵ North Nelson District's Motion for Extension of Time at 1.

⁶ North Nelson District's Motion for Extension of Time at 2.

⁷ North Nelson District's Motion for Extension of Time at 3.

⁸ North Nelson District's Motion for Extension of Time at 3-4.

North Nelson District asserted that it is making plans with Kentucky Rural Water Association to prepare a rate analysis and assist with a rate adjustment application immediately upon completion of utility's 2023 annual report.⁹ North Nelson District argued that, in addition to not requiring a rate increase until 2024, extending the date to file a general rate case to June 2024 would allow North Nelson District to use 2023 as the test year rather than 2022, and thus be more representative of its Operating & Maintenance expenses because 2022 expenses include a nonrecurring expense.¹⁰ North Nelson District argued that the extension will not pose a significant risk to the utility or its ratepayers because the utility does not have long-term debt; current and accrued liabilities are \$266,957; and current and accrued assets are \$3,452,523, with \$2,800,000 of the assets in temporary cash investments.¹¹

Additionally, North Nelson District stated that its water sales increased by 5.3 percent in 2022 while the utility's customer count increased by only 1 percent. This is contrary to the trend that existed for prior years.¹² North Nelson District also stated that its water loss for 2022 was 6.73 percent, which is below the utility's five year average of 7.1107 percent, and below the 15 percent standard in 807 KAR 5:061, Section 6(3).¹³ The Commission finds that due to North Nelson District's favorable financial position as evidenced by its rate analysis, as well as its plans with Kentucky Rural Water Association to prepare a rate adjustment application immediately upon completion of utility's 2023

⁹ North Nelson District's Motion for Extension of Time, at 2.

¹⁰ North Nelson District's Motion for Extension of Time, at 3.

¹¹ North Nelson District's Motion for Extension of Time, at 4.

¹² North Nelson District's Motion for Extension of Time at 4.

¹³ North Nelson District's Motion for Extension of Time at 5.

annual report, that extending the date to file a general rate case to June 24, 2024, is reasonable, evidences good cause, and should be approved.

IT IS THEREFORE ORDERED that North Nelson District's motion for a one-year extension of time, until June 24, 2024, to file its rate adjustment application is granted.

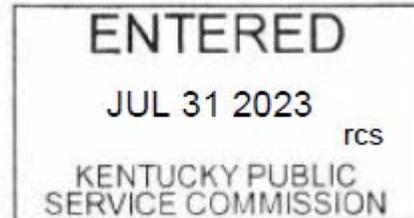
[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner



ATTEST:


Executive Director

*Honorable Damon R Talley
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*Felisa S. Moore
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*North Nelson Water District
5555 Louisville Road
P. O. Box 25
Cox's Creek, KY 40013

*Colin Cissell
General Manager
North Nelson Water District
5555 Louisville Road
P. O. Box 25
Cox's Creek, KY 40013