

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MUHLENBERG)	2022-00241
COUNTY WATER DISTRICT)	

ORDER

On October 24, 2023, Muhlenberg County Water District (Muhlenberg District), by counsel, moved the Commission for an order declaring that no modifications of Muhlenberg District’s rates are necessary at this time.¹

In the final Order in this case issued on August 30, 2022, the Commission ordered Muhlenberg 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” on or before August 31, 2023.² The Commission ordered Muhlenberg District to file a rate case within a year because, based on a review of Commission records, Muhlenberg District has not sought a general base rate adjustment since 2012.³ Muhlenberg District’s only rate increases have occurred when a Muhlenberg

¹ Motion for No Modification to Muhlenberg County Water District’s Rates (Motion for No Modification to Rates) (filed Oct. 24, 2023).

² Order (Ky. PSC Aug. 30, 2022) at 6.

³ *Case No. 2012-00009, Alternative Rate Adjustment Filing of Muhlenberg County Water District* (Ky. PSC Apr. 30, 2012), final Order.

supplier has increased its rates or as a result of federal financing of a water improvement project.

As noted in the final Order, Muhlenberg District was profitable in four of the last five years, however, it did not fully fund depreciation reserves in any year.⁴ Muhlenberg District's cash balance was \$2.3 million at the end of 2021. The lack of insight into Muhlenberg District's financial records and the recurring underfunding of depreciation reserves led the Commission to conclude that Muhlenberg District should file an application for a general base rate adjustment or an alternative rate adjustment within one year of the entry date of the final order to ensure that its revenue is sufficient to support adequate and reliable service. Muhlenberg District then requested and was granted a two-month extension to complete and file its application, and provided specific details that underlie the need for the two-month extension of time.

Muhlenberg District immediately contacted Kentucky Rural Water Association (KRWA) because Muhlenberg District was relying on KRWA to complete a rate study in order to apply for a rate increase. On September 25, 2023, KRWA produced the Rate Study for Muhlenberg District where KRWA recommended that the Muhlenberg District not increase rates at this time based on an analysis of the District's revenues and expenses, which found that the overall water rate increase needed was merely 1.33 percent.⁵ Based on KRWA's recommendation, Muhlenberg District no longer believes that a modification to its rates is necessary at this time. Muhlenberg District

⁴ Order (Ky. PSC Aug. 30, 2022) at 5.

⁵ Motion for No Modification to Rates at 2.

provided a detailed analysis of its rates and revenues to explain to the Commission why no modifications are presently necessary.⁶

Commission Staff has reviewed Muhlenberg District's 2022 audited financial statements and note that its debt service decreases by almost 50 percent, or \$138,000 from 2023 to 2024. Also, Muhlenberg District does not have a significant chemicals inflation exposure since all of its water is purchased. Any impact would pass through as a Purchased Water Adjustment and not the regular ratemaking process. In its motion for no modifications to Muhlenberg District's rates, Muhlenberg District argued that an immediate adjustment of rates is not required as the present rates will produce sufficient revenues to meet all operating expenses and provide for a substantial portion of depreciation expense and that maintaining rates at its present levels for an additional year will not adversely affect Muhlenberg District's financial condition or the quality or reliability of Muhlenberg District's service.

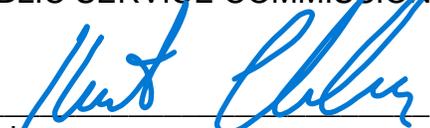
Furthermore, Muhlenberg District has already retained KRWA to prepare another Rate Study as soon as the 2023 Annual Report has been prepared.⁷ The Commission finds that Muhlenberg District has demonstrated its diligence and stated that it and its board members will closely monitor its financial condition. Muhlenberg District is encouraged to regularly evaluate its financial performance and apply for a general rate case if a rate increase is deemed necessary.

IT IS THEREFORE ORDERED that Muhlenberg District's motion for an order that no modification to its rates are necessary at this time is granted.

⁶ Motion for No Modification of Rates at 3.

⁷ Motion for No Modification of Rates at 3.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

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KENTUCKY PUBLIC
SERVICE COMMISSION

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