

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF EAST PENDLETON)	2025-00157
WATER DISTRICT)	

ORDER

On May 27, 2025, East Pendleton Water District (East Pendleton District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068.

LEGAL STANDARD

In accordance with KRS 278.015, when a wholesale supplier selling water to a water district increases its rates, the water district has the authority to increase its rate commensurate with the wholesale supplier. The water district must file, within the statutory and regulatory deadlines, a copy of the notice from the wholesale supplier showing the increase in the wholesale rate, and a statement of the volume of purchased water used to calculate the rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

DISCUSSION AND FINDINGS

East Pendleton District purchases water from the city of Falmouth (Falmouth) and Bracken County Water District (Bracken District). Falmouth notified East Pendleton District that its wholesale rate would increase by \$0.67 from \$1.98 per 1,000 gallons to

\$2.65 per 1,000 gallons, effective May 23, 2025.¹ East Pendleton District proposes to increase the water rates to its customers effective June 13, 2025, to reflect the increased cost of purchased water from Falmouth. Bracken District proposed no rate changes.

Unaccounted-for Water Loss

Commission regulation 807 KAR 5:066, Section 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 consumed by a utility in its own operations. In its 2022 Annual Report filed with the Commission, East Pendleton District reported a water loss of 5.6097 percent.² In its 2023 Annual Report filed with the Commission, East Pendleton District reported a water loss of 7.4154 percent.³ In its 2024 Annual Report⁴ filed with the Commission, East Pendleton District reported a water loss of 8.7324 percent.⁵ East Pendleton District's three-year water loss average is 7.2525 percent.⁶

¹ TFS2025-00222 (Ky. PSC April 29, 2025); East Pendleton District submitted the tariff on April 29, 2025, and the tariff was accepted for filing by the Commission by letter dated May 22, 2025, with an effective date of May 23, 2025.

² *Annual Report of East Pendleton District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

³ *Annual Report of East Pendleton District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁴ East Pendleton District's 2024 Annual Report was tendered to the Commission and is being reviewed. The 2024 Annual Report has not been posted on the website at this time.

⁵ *Annual Report of East Pendleton District to the Public Service Commission for the Year Ended December 31, 2024* at 57.

⁶ $5.6097\% + 7.4154\% + 8.7324\% = 21.7575 / 3 \text{ years} = 7.2525 \text{ percent.}$

Financial Condition and Rates

Based on a review of Commission records, East Pendleton District last sought an alternative rate adjustment in Case No. 2013-00103.⁷ Case No. 2013-00103 resulted in an authorized increase to East Pendleton District's rates of \$210,459 or 24.53 percent.⁸ East Pendleton has not requested another rate adjustment since the last alternative rate filing adjustment mentioned above.

In Case No. 2019-00041, the Commission discussed the problems that can occur when utilities intentionally avoid a review of their financial records by relying solely on financing cases to increase rates.⁹ A key recommendation from that proceeding was that water districts should monitor the sufficiency of their base rates closely and, in general, apply for base rate adjustments on a more frequent basis.¹⁰

Based upon a review of the annual and audit reports filed with the Commission, East Pendleton District's rate-based income, or adjusted net income minus principal payments, was positive from 2020 through 2024. Cash-based income, or rate-based income plus depreciation, was positive from 2020 through 2024. A chart summarizing cash basis and rate-based income is presented below.

⁷ Case No. 2013-00103, Application of East Pendleton County Water District for an Alternative Rate Adjustment (Ky. PSC Oct. 24, 2013).

⁸ See Case No. 2013-00103, Oct. 24, 2013 final order

⁹ See Case No. 2019-00041, Nov. 22, 2019 final Order.

¹⁰ See Case No. 2019-00041, Nov. 22, 2019 final Order.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Annual Report 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ (1,586)	\$ 106,379	\$ 150,044	\$ 302,950	\$ 242,560
Other Non-recurring Items ()	0	0	(17,698)	0	0
Non-Cash Pension and OPEB Expense / (Income)	137,252	65,162	(1,847)	(80,203)	(114,224)
Adjusted Net Income / (Loss)	\$ 129,832	\$ 167,134	\$ 125,945	\$ 217,904	\$ 123,495
Subtract: Principal Payments ()	(82,481)	(88,680)	(77,795)	(82,794)	(83,010)
Rate Based Income	\$ 47,351	\$ 78,454	\$ 48,150	\$ 135,110	\$ 40,485
Add: Depreciation Expense	126,245	138,773	155,649	150,835	147,330
Cash Basis Income	\$ 173,596	\$ 217,227	\$ 203,799	\$ 285,945	\$ 187,815
Cash Basis Income as Percent of Depreciation	138%	157%	131%	190%	127%
Capital Spending	\$ 104,196	\$ 128,494	\$ 355,425	\$ 75,342	\$ 81,686
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 591,727	\$ 765,843	\$ 631,420	\$ 699,526	\$ 642,378
Restricted Funds	939,256	874,716	663,399	743,605	1,083,918
Adjusted Cash Balances	1,530,983	1,640,559	1,294,819	1,443,131	1,726,296
Net Increase (Decrease) in Cash	\$ 97,938	\$ 109,576	\$ (345,740)	\$ 148,312	\$ 283,165
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	2,052	2,083	2,181	2,414	2,497
Gallons Purchased	115,098	118,036	124,676	126,412	110,336
Gallons Sold	106,770	109,222	117,460	116,369	99,542
Gallons Used for Internal Use	558	758	222	669	1,159
Water Loss Gallons	7,770	8,056	6,994	9,374	9,635
System Use Percentage	0.48%	0.64%	0.18%	0.53%	1.05%
Water Loss Percentage	6.7508%	6.8250%	5.6097%	7.4154%	8.7324%
Gallons Sold Per Customer Per Month	4,336	4,370	4,488	4,017	3,322
Revenues from the Sale of Water	\$ 1,187,713	\$ 1,237,946	\$ 1,277,419	\$ 1,377,953	\$ 1,167,467
Purchased Water Expense	231,857	235,514	249,906	249,929	220,526
Purchased Water Expense Over 15% Water Loss	0	0	0	0	0
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.00%	0.00%	0.00%

Given this information, the Commission recommends East Pendleton District monitor its operating performance annually and consider filing future rate cases no less than every three to five years, depending on operating performance, to ensure that its revenue is sufficient to support adequate and reliable service.

Purchased Water Adjustment Factor

In its application, East Pendleton District proposed a purchased water adjustment factor of \$0.76 per 1,000 gallons. During the 12 months ended 2025, East Pendleton District purchased 107,070,688 gallons of water from Falmouth and 1,020,390 gallons of

water from Bracken District and sold 95,031,972 gallons of water to its customers. The increase in the cost of purchased water from Falmouth is \$71,737.36, resulting in a purchased water adjustment factor of \$0.76 per 1,000 gallons. No rate changes occurred from Bracken District.

The purchased water adjustment factor of \$0.76 per 1,000 gallons, as calculated in Appendix A and the rates as set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by East Pendleton District on and after June 13, 2025, because the rates are supported by evidence of the increase in rates from East Pendleton District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.76 per 1,000 gallons is approved.
2. The rates proposed by East Pendleton District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by East Pendleton District on and after June 13, 2025.
4. Within 20 days of the date of service of this Order, East Pendleton District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

Chairman



Vice Chairman

Commissioner



ATTEST:


Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00157 DATED JUN 24 2025

	Base Rate	New Rate	Change
<u>Falmouth</u>			
Purchases in Gallons	107,070,688	107,070,688	
Rate per 1,000 Gallons	<u>\$1.98/1,000</u>	<u>\$2.65/1,000</u>	
Subtotal	\$211,999.96	\$283,737.32	\$71,737.36
 <u>Bracken District</u>			
Purchases in Gallons	1,020,390	1,020,390	
Rate per 1,000 Gallons	<u>\$2.20/1,000</u>	<u>\$2.20/1,000</u>	
Subtotal	\$4,918.28	\$4,918.28	no change
Total	\$216,918.24	\$288,655.60	
Increased water cost			\$71,737.36
Increased water cost		\$71,737.36	
Divided by Gallons sold/1,000		<u>95,031,972</u>	
Purchased water adjustment factor		\$0.76	per 1,000 Gallons
		or \$ 0.00076	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00157 DATED JUN 24 2025

The following rates and charges are prescribed for the customers in the area served by East Pendleton Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8- X 3/4-Inch Meter

First	1,000 Gallons	\$19.18	Minimum Bill
Next	99,000 Gallons	0.01009	Per Gallon
Over	100,000 Gallons	0.00787	Per Gallon

1 1/4-Inch Meter

First	10,000 Gallons	\$109.99	Minimum Bill
Next	90,000 Gallons	0.01009	Per Gallon
Over	100,000 Gallons	0.00787	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$210.89	Minimum Bill
Next	80,000 Gallons	0.01009	Per Gallon
Over	100,000 Gallons	0.00787	Per Gallon

3-Inch Meter

First	30,000 Gallons	\$311.79	Minimum Bill
Next	70,000 Gallons	0.01009	Per Gallon
Over	100,000 Gallons	0.00787	Per Gallon

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