

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF PENDLETON COUNTY)	2025-00165
WATER DISTRICT)	

ORDER

On May 28, 2025, Pendleton County Water District (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

Pendleton District purchases water from the city of Falmouth (Falmouth) and Northern Kentucky Water District (Northern Kentucky District). Falmouth notified 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 Northern Kentucky District notified Pendleton District that its wholesale rate would increase by \$0.60 from \$3.98 per 1,000 gallons to \$4.58 per 1,000 gallons, effective April 1, 2025.² Pendleton District proposed to increase the water rates to its customers effective June 13, 2025, to reflect the increased cost of purchased water from Falmouth and Northern Kentucky District.

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 2024 Annual Report filed with the Commission, Pendleton District reported a water loss of 10.6728 percent.³ In its 2023 Annual Report filed with the Commission, Pendleton District reported a water loss of 11.0516 percent.⁴ In its 2022 Annual Report filed with the Commission, Pendleton District reported a water loss of 12.5995 percent.⁵ Pendleton District's three-year water loss average is 11.4413 percent.⁶

¹ TFS2025-00222 (Ky. PSC April 29, 2025); the City of Falmouth 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 TFS2025-00090 (Ky. PSC February 28, 2025); Northern Kentucky Water District submitted the tariff on February 28, 2025, and the tariff was accepted for filing by the Commission by letter dated March 31, 2025, with an effective date of April 1, 2025.

³ *Annual Report of Pendleton District to the Public Service Commission for the Year Ended December 31, 2024* at 59.

⁴ *Annual Report of Pendleton District to the Public Service Commission for the Year Ended December 31, 2023* at 59.

⁵ *Annual Report of Pendleton District to the Public Service Commission for the Year Ended December 31, 2022* at 59.

⁶ $10.6728\% + 11.0516\% + 12.5995\% = 34.3239\% / 3 \text{ years} = 11.4413 \text{ percent.}$

Financial Condition and Rates

Based on a review of Commission records, Pendleton District last sought an alternative rate adjustment in Case No. 2019-00310.⁷ Case No. 2019-00310 resulted in an authorized increase to Pendleton District's rates of \$185,944 or 13.95 percent.⁸ Pendleton District 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, Pendleton District's rate-based income, or adjusted net income minus principal payments, was negative in 2019 and 2020, while positive in 2021, 2022, and 2023.¹¹ Cash basis

⁷ Case No. 2019-00310, Application of Pendleton County Water District for an Alternative Rate Adjustment (Ky. PSC March 10, 2020).

⁸ See Case No. 2019-00310, March, 10, 2020 Final Order.

⁹ Case No. 2019-00041, *Investigation Into Excessive Water Los by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

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

¹¹ *Audit Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2019* at 11. *Audit Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2020* at 11. *Audit Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2021* at 11. *Audit Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2022* at 12. *Audit Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2023*, at 12. *Annual Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2019* at 51 and 59. *Annual Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2020* at 51 and 59. *Annual Report of Pendleton County Water District to the Public Service Commission for the Year Ended*

income, or rate-based income plus depreciation, was positive for the entire five-year period.¹² A chart summarizing cash basis and rate-based income is presented below.

Description / Year	Audited 2019	Audited 2020	Audited 2021	Audited 2022	Audited 2023
Adjusted Net Income					
Net Income / (Loss)	\$ (234,719)	\$ (220,254)	\$ 1,151	\$ 232,270	\$ 382,101
Other Non-recurring Items ()	9,810	18,030	10,864	10,663	(9,130)
Non-Cash Pension and OPEB Expense / (Income)	138,336	165,052	66,295	(54,768)	(184,736)
Adjusted Net Income / (Loss)	\$ (86,573)	\$ (37,172)	\$ 78,310	\$ 188,165	\$ 188,235
Subtract: Principal Payments ()	(63,500)	(69,000)	(69,000)	(59,000)	(64,000)
Rate Based Income	\$ (150,073)	\$ (106,172)	\$ 9,310	\$ 129,165	\$ 124,235
Add: Depreciation Expense	241,460	245,402	238,247	238,948	266,732
Cash Basis Income	\$ 91,387	\$ 139,230	\$ 247,557	\$ 368,113	\$ 390,967
Cash Basis Income as Percent of Depreciation	38%	57%	104%	154%	147%
Capital Spending	\$ 172,454	\$ 129,701	\$ 194,102	\$ 356,826	\$ 798,290
Cash and Investments					
Unrestricted Cash and Investments	\$ 197,260	\$ 206,156	\$ 229,260	\$ 165,448	\$ 171,337
Restricted Funds	1,419,287	1,494,417	1,625,623	1,636,022	1,745,968
Adjusted Cash Balances	1,616,547	1,700,573	1,854,883	1,801,470	1,917,305
Net Increase (Decrease) in Cash	\$ (33,389)	\$ 84,026	\$ 154,310	\$ (53,413)	\$ 115,835
Selected Statistical Information (PSC Annual Reports)					
Customer Count	2,446	2,517	2,582	2,613	2,648
Gallons Purchased	152,230	157,378	162,506	165,372	159,733
Gallons Sold	130,047	132,200	138,331	137,711	138,672
Gallons Used for Internal Use	3,192	2,900	5,253	6,825	3,408
Water Loss Gallons	18,991	22,278	18,922	20,836	17,653
System Use Percentage	2.0968%	1.8427%	3.2325%	4.1271%	2.1336%
Water Loss Percentage	12.4752%	14.1557%	11.6439%	12.5995%	11.0516%
Gallons Sold Per Customer Per Month	4,431	4,377	4,465	4,392	4,364
Revenues from the Sale of Water	\$ 1,373,041	\$ 1,510,717	\$ 1,607,788	\$ 1,682,533	\$ 1,674,127
Purchased Water Expense	451,961	497,591	506,803	520,040	517,570
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%

December 31, 2021 at 51 and 59. Annual Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2022 at 51 and 59. Annual Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2023 at 51 and 59.

¹² Audit Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2019 at 11. Audit Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2020 at 11. Audit Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2021 at 11. Audit Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2022 at 12. Audit Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2023, at 12. Annual Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2019 at 51 and 59. Annual Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2020 at 51 and 59. Annual Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2021 at 51 and 59. Annual Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2022 at 51 and 59. Annual Report of Pendleton County Water District to the Public Service Commission for the Year Ended December 31, 2023 at 51 and 59.

Given this information, the Commission recommends that 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, Pendleton District proposed a purchased water adjustment factor of \$0.73 per 1,000 gallons. During the 12 months ended March 31, 2025, Pendleton District purchased 72,413,070 gallons of water from Falmouth and 82,246,946 gallons of water from Northern Kentucky District and sold 137,105,132 gallons of water to its customers. The increase in the cost of purchased water from Falmouth and Northern Kentucky District is \$99,064.92, resulting in a purchased water adjustment factor of \$0.73 per 1,000 gallons.

The purchased water adjustment factor of \$0.73 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 Pendleton District on and after June 13, 2025, because the rates are supported by evidence of the increase in rates from Pendleton District's wholesale water suppliers 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 \$0.73 per 1,000 gallons is approved.
2. The rates proposed by Pendleton District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Pendleton District on and after June 13, 2025.

4. Within 20 days of the date of service of this Order, 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.

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PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Linda Birdwell
Executive Director

AP



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00165 DATED JUN 24 2025

	Base Rate	New Rate	Change
<u>Falmouth</u>			
Purchases in Gallons	72,413,070	72,413,070	
Rate per 1,000 Gallons	<u>\$1.98/1,000</u>	<u>\$2.65/1,000</u>	
Subtotal	\$143,377.88	\$191,894.64	\$48,516.76
<u>Northern Kentucky District</u>			
Purchases in Gallons	84,246,946	84,246,946	
Rate per 1,000 Gallons	<u>\$3.98/1,000</u>	<u>\$4.58/1,000</u>	
Subtotal	\$335,302.85	\$385,851.01	\$50,548.16
 Total	 \$478,680.73	 \$577,745.65	
 Increased water cost			 \$99,064.92
 Increased water cost		\$99,064.92	
Divided by Gallons sold/1,000		<u>137,105,132</u>	
Purchased water adjustment factor		\$0.7225	per 1,000 Gallons
		or \$ 0.00073	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00165 DATED JUN 24 2025

The following rates and charges are prescribed for the customers in the area served by Pendleton County 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	2,000 Gallons	\$27.16	Minimum Bill
Next	3,000 Gallons	0.01185	Per Gallon
Next	10,000 Gallons	0.01123	Per Gallon
Over	15,000 Gallons	0.00985	Per Gallon

Pendleton County High School

First	125,000 Gallons	\$1,258.51	Minimum Bill
Over	125,000 Gallons	0.00985	Per Gallon

Griffin Industries

First	400,000 Gallons	\$3,967.26	Minimum Bill
Over	400,000 Gallons	0.00985	Per Gallon

City of Butler

First	1,372,500 Gallons	\$7,617.38	Minimum Bill
Over	1,372,500 Gallons	0.00555	Per Gallon

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