

Reasons for Application

Upon review of its current financial condition, Elkhorn Water District (Elkhorn District) determined that it requires an increase in its base water rates. Elkhorn District is requesting a 5.58 percent rate increase for all of its water customers. The rate increase will generate approximately \$22,830 in additional annual revenue from water sales.

Elkhorn District notes that the Commission historically has used the Debt Service Coverage (DSC) methodology to calculate the revenue requirement for water districts and associations. Therefore, Elkhorn District used the DSC methodology to calculate its requested revenue requirement.

Elkhorn District has two long-term debt issuances outstanding. The requested rate increase will produce a working capital allowance sufficient to allow Elkhorn District to:

1. Pay its annual principal payments on its existing long-term debt from water revenues rather than from depreciation reserves;
2. Meet the requirements set forth in its existing debt instruments;
3. Restore the Elkhorn District to a sound financial condition; and
4. Enable Elkhorn District to enhance its financial capacity so it can continue to operate its system in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151.