

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC PURCHASED WATER</b>	)	
<b>ADJUSTMENT FILING OF EAST LOGAN</b>	)	<b>CASE NO. 2024-00400</b>
<b>WATER DISTRICT</b>	)	

<b>ELECTRONIC APPLICATION OF EAST</b>	)	
<b>LOGAN WATER DISTRICT FOR A RATE</b>	)	<b>CASE NO. 2025-00265</b>
<b>ADJUSTMENT PURSUANT TO 807 KAR 5:076</b>	)	

**MOTION TO ACCEPT ANALYSIS OF REVENUES AND RATES AND  
FOR RELIEF FROM REQUIREMENT TO APPLY FOR RATE ADJUSTMENT**

East Logan Water District (“East Logan” or “the District”) moves that the Public Service Commission (“Commission”) accept the attached analysis of the District’s revenues and rates and relieve the District of the requirement set forth in the Order of January 24, 2025 in Case No. 2024-00400 to apply for an adjustment of its rates for water service.

In support of its Motion, the District states:

1. On December 27, 2024, the District applied to the Commission pursuant KRS 278.015 and 807 KAR 5:068 for authority to adjust its rates for water service to reflect an increase in the cost of water that the District purchased from Logan-Todd Regional Water Commission for resale.

2. On January 24, 2025, the Commission issued an Order in Case No. 2024-00400 authorizing the District to increase its rates for water service to reflect its increased costs for water purchased from Logan-Todd Regional Water Commission.

3. In the same Order, the Commission noted that the District had not sought a general adjustment of rates for water service other than pursuant to KRS 278.023 since 2003 and hence had “ avoided comprehensive review by the Commission of its financial records and operational

structure for more than 20 years.”<sup>1</sup> Based upon the absence of any application for a rate adjustment for such a long period, the Commission concluded the District should file no later than August 30, 2025, an application for a general adjustment of its rates for water service using the 2024 calendar year as its test period “to ensure that its revenue is sufficient to support adequate and reliable service.”<sup>2</sup> The Commission further stated that, as an alternative to the filing of an application for rate adjustment, the District may file “a detailed analysis of its rates and revenues” to demonstrate that its rates are adequate and do not require any adjustment.<sup>3</sup>

4. In response to the Order of January 24, 2025, the District requested the assistance of the Rural Community Assistance Partnership, Inc. (“RCAP”) to prepare a detailed analysis of its rates and revenues based upon its 2024 operations. RCAP assigned David Foster, a Technical Assistance Provider, to prepare such analysis. Mr. Foster holds a Bachelor of Business Administration degree in Accounting and Finance from Eastern Kentucky University. He serves as a public utility financial analyst with the Commission from March 2013 to March 2020 and participated on the Commission’s behalf in the review of numerous water utility applications for rate adjustment. Since March 2020, RCAP has employed him as a technical assistance provider. In that position Mr. Foster has prepared twenty rate studies for Commission-regulated water utilities and non-regulated municipal water utilities and, when a study’s results warranted, prepared for the Commission-regulated utilities applications for rate adjustments.

5. On August 7, 2025, prior to the completion of Mr. Foster’s review of the District’s financial condition and preparation of his analysis, the District gave notice to the Commission of its intent to apply for rate adjustment pursuant to 807 KAR 5:076 and requested the establishment

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<sup>1</sup> Order of Jan. 24, 2025 at 3.

<sup>2</sup> *Id.* at 4.

<sup>3</sup> *Id.* at 6.

of an electronic docket for such application. The Commission established Case No. 2025-00265 in response to that request.

6. Mr. Foster has since completed his review and prepared an analysis of the District's rates and revenues. A summary of his analysis is attached to this Motion as **Attachment A**. An Excel workbook (RateAnalysis.xlsx) containing his workpapers is electronically embedded in this Motion.<sup>4</sup>

7. Mr. Foster's analysis shows that, based upon the District's 2024 operations as adjusted for known and measurable changes, the District has **a revenue requirement of \$2,249,730 and requires \$2,052,041 in revenue from its rates for water service**. This analysis includes an adjustment to reduce the District's purchased water expense by **\$123,320** and its purchased power expense by **\$1,509** for water loss exceeding the limits set forth in 807 KAR 5:066, Section 6(3).<sup>5</sup> It further includes an adjustment to increase salaries and wages expense by **\$1,606** to reflect the current salaries and wage rates of current District employees. It also includes an adjustment to reduce depreciation expense by **\$101,194** to reflect the adjustment of the service lives of the District's water mains for accounting purposes from 40 years to 62.5 years.<sup>6</sup> This adjustment brings the District into compliance with the Commission's current practice of using the midpoint of the asset service lives range contained in the National Association of Regulatory

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<sup>4</sup> The embedded file can be accessed by viewing the Motion with Adobe Acrobat, Adobe Acrobat Reader, Kofax Power PDF or other commercially available PDF software viewers. In Adobe Acrobat, Adobe Acrobat Reader or Kofax Power PDF, the embedded file can be viewed by first clicking the paperclip icon that appears at the left of the screen and then clicking the filename.

<sup>5</sup> See the spreadsheet titled "WaterLoss" in the Excel workbook RateAnalysis.xlsx for the calculation of these adjustments.

<sup>6</sup> The District's depreciation schedule and a calculation of the adjustment to depreciation expense can be found in the spreadsheet titled "DEP" in the Excel workbook RateAnalysis.xlsx.

Utility Commissioners publication *Depreciation Practices for Small Water Utilities* to determine depreciation expense.<sup>7</sup>

8. An analysis of the District's bills for the test period shows that, based upon 2024 customer purchases of water, the District's current rates will produce revenues of **\$2,204,832** from water sales.<sup>8</sup> This level of revenue is sufficient to meet the District's required revenue from water rates. The District's current rates will enable the District to meet its reasonable expenses, including depreciation expense, service its present debt obligations, provide for adequate working capital and cash flow, and meet its statutory obligation to provide adequate and reasonable water service to its customers.

9. The District has no knowledge of any events or actions occurring since December 31, 2024 that are not reflected in Mr. Foster's analysis and that would materially affect the results of that analysis.

10. The District presently has mechanisms in place to monitor its financial condition and to alert the District's management of the need to adjust its rates. The members of its Board of Commissioners are furnished with monthly reports on the District's financial condition. The Board and its General Manager quarterly and annually review the District's financial condition to assess the adequacy and sufficiency of its rates.

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<sup>7</sup> See, e.g., *Electronic Application of Wood Creek Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2024-00242 (Ky. PSC Mar. 21, 2025) Order at 10 ("To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same NARUC study. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant."). Mr. Foster has agreed to explain to the District's auditors the Commission's practices regarding depreciation and the need to conform the District's accounting records to those practices.

<sup>8</sup> See the spreadsheet titled "BAE" in the Excel workbook RateAnalysis.xlsx.

11. Recognizing the Commission's stated policy regarding periodic rate reviews for water districts with excessive water loss rates,<sup>9</sup> the District is establishing a policy to engage a consultant to conduct at least every three years a rate review such as that submitted with this Motion and to have such review performed earlier if the District's financial condition so requires. It further states that upon completion of any review, the District will provide the Commission with a copy of the results of that review or, if the results so require, apply to the Commission for an adjustment of its rates for water service.

12. The District has and will continue to be completely transparent and open with the Commission regarding its financial affairs to ensure the Commission has a full and accurate picture of the District's financial condition. It has always complied with the reporting requirements of 807 KAR 5:006, Section 4, and promptly filed with the Commission its annual financial reports and financial audit statements. It has made its financial and operational records available for Commission inspection whenever requested to do so. It has responded to all Commission requests for information, formal or informal. At no time has it concealed information from the Commission or impeded the Commission's access to the District's records or otherwise made any attempt to avoid or prevent Commission review of its rates or financial condition.

13. Given the results of the analysis of the District's revenues and rates, an application for an adjustment of the District's rates for water service will not result in any significant change in those rates, will not benefit the District's ratepayers, and is likely to result in an unproductive expenditure of Commission and District resources.

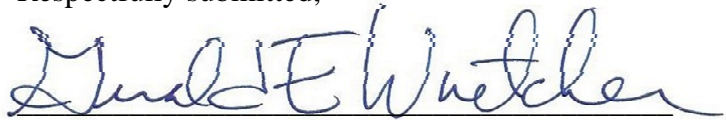
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<sup>9</sup> See *Electronic Investigation Into Excessive Water Loss By Kentucky's Jurisdictional Water Utilities*, Case No. 2019-00041 (Ky. PSC Nov. 22, 2019), Order, App. L at iv ("Every water district and association should be subjected to a rate and operations review every three (3) years to ensure that revenue is adequate to properly operate the system over the long term.").

WHEREFORE, East Logan Water District requests the Commission (1) accept the results of the rate analysis attached to and embedded in this Motion; (2) find that the District's present rates are adequate and that the District should not be required to submit an application for an adjustment of its rates for water service at this time; (3) find that the District has satisfied the requirements set forth in Ordering Paragraph 5 of its Order of January 24, 2025; and (4) close and remove from its docket Cases No. 2024-00400 and No. 2025-00265.

Dated: August 30, 2025

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

In accordance with 807 KAR 5:001, Section 8, and the Public Service Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was transmitted to the Public Service Commission on August 30, 2025 and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.



Gerald E. Wuetcher

# **ATTACHMENT A**

**SCHEDULE OF ADJUSTED OPERATIONS - WATER UTILITY**

TYE 12/31/20 24

	Test Year	Adjustment	Ref.	Pro Forma
<b><u>Operating Revenues</u></b>				
Sales of Water				
Unmetered Water Sales				0.00
Metered Water Sales	2,224,919.00			2,224,919.00
Bulk Loading Stations				0.00
Fire Protection Revenue				0.00
Sales for Resale				0.00
Total Sales of Water	2,224,919.00	0.00		2,224,919.00
Other Water Revenues				
Forfeited Discounts				0.00
Miscellaneous Service Revenues	45,640.00			45,640.00
Rents from Water Property				0.00
Other Water Revenues				0.00
Total Other Water Revenues	45,640.00	0.00		45,640.00
<b>Total Operating Revenues</b>	<b>2,270,559.00</b>	<b>0.00</b>		<b>2,270,559.00</b>
<b><u>Operating Expenses</u></b>				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	376,829.00	1,606.00		378,435.00
Salaries and Wages - Officers	10,800.00			10,800.00
Employee Pensions and Benefits	7,195.00			7,195.00
Purchased Water	1,066,466.00	-123,320.00		943,146.00
Purchased Power	13,051.00	-1,509.00		11,542.00
Fuel for Power Production				0.00
Chemicals				0.00
Materials and Supplies	224,624.00			224,624.00
Contractual Services	65,005.00			65,005.00
Water Testing				0.00
Rents				0.00
Transportation Expenses				0.00
Insurance	27,891.00			27,891.00
Regulatory Commission Expenses				0.00
Bad Debt Expense	9,894.00			9,894.00



Miscellaneous Expenses	97,647.00			97,647.00
Total Operation and Maintenance Expenses	1,899,402.00	-123,223.00		1,776,179.00
Depreciation Expense	435,765.00	-101,914.00		333,851.00
Amortization Expense				0.00
Taxes Other Than Income	32,597.00	123.00		32,720.00
Income Tax Expense				0.00
<b>Total Operating Expenses</b>	2,367,764.00	-225,014.00		2,142,750.00
<b>Utility Operating Income</b>	-97,205.00	225,014.00		127,809.00

**REVENUE REQUIREMENT CALCULATION - DEBT COVERAGE METHOD**

(This method is used commonly by non-profits that have long-term debts outstanding.)

Pro forma Operating Expenses	\$2,142,750.00
Plus: Average Annual Debt Principal and Interest Payments*	89,151.00
Debt Coverage Requirement**	17,830.00
Total Revenue Requirement	2,249,731.00
Less: Other Operating Revenue	-45,640.00
Non-operating Revenue	
Interest Income	-151,849.00
Revenue Required from Rates	2,052,242.00
Less: Revenue from Sales at Present Rates	-2,224,919.00
Required Revenue Increase	(\$172,677.00)

Required Revenue Increase stated as a Percentage of Revenue at Present Rates	-7.76%
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\* This should be a 3 year average calculated using the debt principal and interest payments for the three years following the test year.

\*\* This amount is calculated by multiplying the average annual debt principal and interest payments by the debt service requirement of the utility's lending agency.