

Reasons for Application

In the Final Order in Case No. 2022-00221, the Commission recommended that Northeast Woodford County Water District should conduct internal financial reviews on an annual basis to ensure that its water rates are sufficient. The Commission further recommended that Northeast Woodford County Water District's board of commissioners (Board) consider filing periodic rate cases with the Commission every three to five years and implement a written policy to that effect to maintain a regular review of the utility's finances.

Following the Commission's recommendations Northeast Woodford County Water District completed its review of its current financial condition and determined that it requires an increase in its base water rates. Northeast Woodford County Water District is requesting a 13.07 percent rate increase for all of its water customers. The rate increase will generate approximately \$102,506 in additional annual revenue from water sales.

Northeast Woodford County Water District notes that the Commission has historically authorized use of the Operating Ratio method, rather than the Debt Service Coverage method, when it is appropriate for a water district or association to maintain financial stability. In Case No. 2022-00221 the Commission used the operating ratio method. Therefore, Northeast Woodford County Water District is using the Operating Ratio methodology.

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

1. To pay its annual principal payments on its existing long-term debt from water revenues rather than from depreciation reserves;
2. To meet the requirements set forth in its existing debt instruments;
3. To restore the Northeast Woodford County Water District to a sound financial condition; and
4. To enable Northeast Woodford County Water 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.