

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|------------|
| ELECTRONIC APPLICATION OF ESTILL |) | |
| COUNTY WATER DISTRICT NO. 1 FOR |) | |
| AUTHORIZATION TO ENTER INTO AN |) | |
| ASSISTANCE AGREEMENT WITH THE |) | |
| KENTUCKY INFRASTRUCTURE AUTHORITY, |) | CASE NO. |
| FOR A CERTIFICATE OF PUBLIC CONVENIENCE |) | 2021-00064 |
| TO CONSTRUCT CERTAIN WATER |) | |
| IMPROVEMENTS AND AUTHORIZATION TO USE |) | |
| WATER LOSS CONTROL PROGRAM |) | |
| SURCHARGE PROCEEDS |) | |

ORDER

On April 8, 2021, Estill County Water District No. 1 (Estill District No. 1) was granted a Certificate of Public Convenience and Necessity (CPCN) for the construction of certain water projects. In its April 8, 2021 Order, the Commission ordered that this case remain open for the purpose of obtaining additional information regarding Estill District No. 1's current operational and financial status.¹ On November 9, 2021, Estill District No. 1 filed a supplemental response to Commission Staff's Request for Information which was included in the April 8, 2021 Order and attached its calendar year 2020 audit.² Adjusted net income information from previously filed audit reports for the

¹ Case No. 2021-00064, *Electronic Application of Estill County Water District No. 1 for Authorization to Enter into an Assistance Agreement with the Kentucky Infrastructure Authority, for a Certificate of Public Convenience and to Construct Certain Water Improvements and Authorization to Use Water Loss Control Program Surcharge Proceeds* (Ky. PSC Apr. 8, 2021), Order at 8, ordering paragraph 12.

² Estill District No. 1's Supplemental Response to the Commission's Order of April 8, 2021 (filed Nov. 9, 2021).

calendar years 2016 through 2019 from the Commission’s website and the 2020 audit report are summarized as follows:

| Year | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------------|--------------|--------------|--------------|--------------|-------------|
| Net Income before Contributions | \$ (356,178) | \$ (462,248) | \$ (401,190) | \$ (151,031) | \$ (85,190) |
| Subtract: Principal Payments | (159,199) | (248,430) | (166,077) | (97,708) | (101,929) |
| Add: Depreciation Expense | 305,252 | 404,363 | 396,214 | 400,828 | 279,588 |
| Cash Basis Income | \$ (210,125) | \$ (306,315) | \$ (171,053) | \$ 152,089 | \$ 92,469 |

Estill District No. 1’s five-year historical Water Loss information is summarized in the table below:³

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------|---------|---------|---------|---------|---------|
| Customer Count | 3,763 | 3,763 | 3,712 | 3,698 | 3,761 |
| Water Loss Percentage | 35.2625 | 37.6515 | 39.6243 | 37.4645 | 37.5254 |
| System Use Percentage | 0.4973 | 0.4188 | 0.3309 | 0.5438 | 0.2970 |

From the information provided above, the Commission notes that while Estill District No. 1’s financial situation appears to be improving since the rates ordered in the alternative rate filing in Case No. 2017-000176 went into effect,⁴ that Estill District No. 1 is still reporting a net operating loss. In addition, Estill District No. 1’s water loss no longer appears to be increasing, but there has also been no noticeable improvement to water loss since the changes in Estill District No.1’s financing arrangements or change in management. Additionally, the Commission notes that despite indicating to Commission Staff that it planned file an application for a rate adjustment in the first quarter of 2022,⁵

³ *Annual Report of Estill District No.1 to the Public Service Commission (Annual Report) for the Calendar Year Ended December 31, 2016 at 56; 2017 Annual Report at 56; 2018 Annual Report at 57; 2019 Annual Report at 57; and 2020 Annual Report at 57.*

⁴ *Case No. 2017-00176, Electronic Application of Estill County Water District No. 1 for Rate Adjustment Pursuant to 807 KAR 5:076 (Ky. PSC Dec. 20, 2017).*

⁵ *See Case No. 2019-00119, Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts (filed Dec.22, 2021), Intra-Agency Memorandum of Informal Conference held Nov. 9, 2021.*

Estill District No. 1 has not done so. Therefore, the Commission finds that Estill District No. 1 shall file an application for an alternative rate adjustment pursuant to 807 KAR 5:076 or an application for a rate adjustment pursuant to KRS 278.190 within a year from the date of this order.

IT IS THEREFORE ORDERED that:

1. Estill District No. 1 shall file an application for an alternative rate adjustment pursuant to 807 KAR 5:076 or an application for a rate adjustment pursuant to KRS 278.190 within a year from the date of this Order.
2. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION



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Vice Chairman

Commissioner



ATTEST:



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