

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TREATED SEWAGE)	CASE NO.
ADJUSTMENT FILING OF JESSAMINE-SOUTH)	2024-00206
ELKHORN WATER DISTRICT)	

ORDER

On July 3, 2024, Jessamine-South Elkhorn Water District (Jessamine-South Elkhorn District) applied for approval to adjust its rates pursuant to the treated sewage adjustment procedure set forth in KRS 278.015 and 807 KAR 5:075.

LEGAL STANDARD

In accordance with KRS 278.015 and 807 KAR 5:075, which govern treated sewage adjustment filings, a jurisdictional utility may increase its rates to pass through a wholesale supplier's rate increase. Commission regulation 807 KAR 5:075 authorizes a water district to file a treated sewage adjustment no earlier than 30 days prior to the proposed effective date of a wholesale supplier's changed rate or no later than 20 days after the wholesale supplier changes its rate. KRS 278.015 requires the Commission to approve a treated sewage adjustment no later than 30 days after a district files notice of a rate increase from its wholesale supplier and the volume of sewage treated used to calculate the increase in rates.

DISCUSSION AND FINDINGS

Jessamine-South Elkhorn District purchases wastewater treatment services from Lexington-Fayette Urban County Government (LFUCG). LFUCG notified Jessamine-

South Elkhorn District that its wholesale sewage treatment rate would increase from \$7.99 per 100 cubic feet to \$8.26 per 100 cubic feet, effective July 1, 2024.¹

As described below, Jessamine-South Elkhorn District proposed to increase the sewer rates to its customers to reflect the increased cost of wastewater treatment from LFUCG. Jessamine-South Elkhorn proposed to increase current rates to be effective for services rendered on or after July 1, 2024.

Financial Condition and Rates

Jessamine-South Elkhorn District's last alternative rate filing for its sewer division² was in Case No. 2022-00053 (using a 2020 test year) reflected an increase of \$270,193 or 26.93 percent.³ The increase approved in Case No. 2022-00053 was phased in over two years from the final Order date of August 25, 2022, and approximately \$20,000 of the second year increase will not be realized until 2024. Rate based income (adjusted net income minus principal payments) was negative each year although it improved during 2023 as shown in the table below.

Based on 2023 performance, it does not appear that the remaining increase will result in positive income. The Commission notes that depreciation has increased by approximately \$45,000 subsequent to the 2020 test year. The Commission recommends that Jessamine-South Elkhorn District file a revenue sufficiency analysis for its sewer

¹ TFS 2024-00248 (Ky. PSC May 30, 2024); LFUCG submitted the tariff on May 30, 2024, and the tariff was accepted for filing by the Commission by letter dated June 20, 2024, with an effective date of July 1, 2024.

² Jessamine-South Elkhorn District filed a separate alternative rate application for its water division.

³ See Case No. 2022-00053, *Electronic Application of Jessamine-South Elkhorn Water District for a Sewer Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 25, 2022).

division no later than June 30, 2025, based on 2024 financial results and that it considers filing a rate adjustment application soon thereafter if the result is negative.

Description / Year	Audited 2019	Audited 2020	Audited 2021	Audited 2022	Audited 2023
<i>Adjusted Net Income</i>					
Net Income / (Loss) before Contributions	\$ (365,430)	\$ (360,557)	\$ (263,043)	\$ (313,581)	\$ (56,537)
Subtract: Principal Payments ()	(21,900)	(23,000)	(23,000)	0	(4,900)
Rate Based Income	\$ (387,330)	\$ (383,557)	\$ (286,043)	\$ (313,581)	\$ (61,437)
Add: Depreciation Expense	281,892	282,732	286,534	325,844	328,270
Cash Basis Income	\$ (105,438)	\$ (100,825)	\$ 491	\$ 12,263	\$ 266,833
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 82,669	\$ 125,322	\$ 176,742	\$ 224,081	\$ 493,652
Restricted Funds	314,741	340,607	98,160	157,600	132,104
Adjusted Cash Balances	397,410	465,929	274,902	381,681	625,756
Net Increase (Decrease) in Cash	\$ (37,081)	\$ 68,519	\$ (191,027)	\$ 106,779	\$ 244,075

Selected Statistical Information (PSC Annual Reports)

Revenue	\$ 900,761	\$ 983,137	\$ 1,117,701	\$ 1,188,509	\$ 1,527,107
Customer Count	859	835	859	1,116	1,180
Per Customer Revenue	\$ 1,049	\$ 1,177	\$ 1,301	\$ 1,065	\$ 1,294

Treated Sewage Adjustment Factor

In its application, Jessamine-South Elkhorn District proposed a treated sewage adjustment factor of \$0.37 per 1,000 gallons.⁴ During the 12 months ended May 31, 2024, Jessamine-South Elkhorn District's sewer customers receiving service from LFUCG used 12,057,684.63 cubic feet of water (90,197,751⁵ gallons of water). The increase in the cost of treated sewage is from LFUCG is \$32,555.75, resulting in a treated sewage adjustment factor of \$0.37 per 1,000 gallons.⁶

The Commission finds that the treated sewage adjustment factor of \$0.37 per 1,000 gallons, as calculated in Appendix A, and the rates set forth in Appendix B to this

⁴ Application at 2.

⁵ 12,057,684.63 cubic feet multiplied by a conversion factor of 7.48052 = 90,197,751 gallons.

⁶ Jessamine-South Elkhorn District's rates are calculated per 1,000 gallons.

Order are fair, just and reasonable and should be approved for sewer service rendered by Jessamine-South Elkhorn District on and after July 1, 2024, because the rates are supported by evidence of the increase in rates from Jessamine-South Elkhorn District's wholesale sewage treatment provider and the volume of wastewater treatment used to calculate the rates in accordance with KRS 278.015.

IT IS THEREFORE ORDERED that:

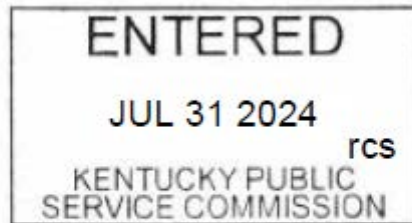
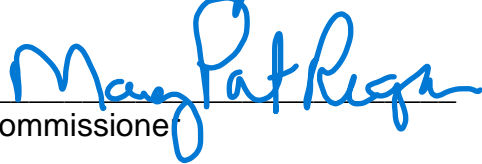
1. The treated sewage adjustment factor of \$0.37 per 1,000 gallons is approved.
2. The rates proposed by Jessamine-South Elkhorn District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Jessamine-South Elkhorn District on and after July 1, 2024.
4. Within 20 days of the date of service of this Order, Jessamine-South Elkhorn 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.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00206 DATED JUL 31 2024

Jessamine-South Elkhorn Water District
Wastewater Treatment in Gallons

	Base Rate	New Rate	Increased Cost
LFUCG (cubic feet)	12,057,684.63	12,057,684.63	
Volumetric Rate	<u>\$ 7.99/100</u>	<u>\$ 8.26/100</u>	
	\$ 963,409.01	\$ 995,964.76	\$32,555.75

Increased treatment cost \$32,555.75

Increased treatment cost	\$32,555.75
Divided by Gallons sold/1000	<u>90,197,751</u>
Treated Sewage adjustment factor	\$ 0.3609 per 1,000 Gallons

Or \$ 0.00037 per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00206 DATED JUL 31 2024

The following rates and charges are prescribed for the customers in the area served by Jessamine-South Elkhorn Water District – Sewer Division. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Sewer Rates

First	2,000 Gallons	\$35.61	Minimum Bill
Over	2,000 Gallons	\$0.01768	Per Gallon

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