

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WOOD CREEK	)	CASE NO.
WATER DISTRICT FOR A RATE ADJUSTMENT	)	2024-00242
PURSUANT TO 807 KAR 5:076	)	

ORDER

On September 27, 2024,<sup>1</sup> Wood Creek Water District, Wastewater Division (Wood Creek District), filed its application with the Commission requesting an adjustment to its sewer service rates pursuant to 807 KAR 5:076. The application was filed, in part, pursuant to the Commission’s Order in Case No. 2023-00110 that required Wood Creek District to file an application for an adjustment of its base rates by July 31, 2024.<sup>2</sup>

In its application, Wood Creek District requested rates that would increase its base rate revenue by \$106,921, or 8.43 percent to pro forma present rate wastewater revenues.<sup>3</sup> To comply with the requirements of 807 KAR 5:076, Section 9,<sup>4</sup> Wood Creek District used the calendar year ended December 31, 2023, as the basis for its application.

---

<sup>1</sup> Wood Creek District tendered its application on July 31, 2024. By letter dated August 9, 2024, the Commission rejected the application for filing deficiencies. On August 16, 2024, the Commission issued an Order rejecting the application. Wood Creek District tendered its second application on September 13, 2024. By letter dated September 18, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on September 27, 2024.

<sup>2</sup> Case No 2023-00110, *Electronic Treated Sewage Adjustment Filing of Wood Creek Water District* (Ky. PSC Apr. 28, 2023), at 5, ordering paragraph 6.

<sup>3</sup> Application, Attachment 4, 4b\_Revenue\_Requirement\_Calculation.pdf.

<sup>4</sup> The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant’s annual report for the immediate past year.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated October 16, 2024.<sup>5</sup> Wood Creek District responded to two requests for information from Commission Staff.<sup>6</sup> Wood Creek District timely filed its response to all rounds of discovery.

Commission Staff issued its report (Commission Staff's Report) on January 23, 2025,<sup>7</sup> summarizing its findings and recommendations regarding Wood Creek District's requested rate adjustment. In the Commission Staff's Report, Commission Staff found that Wood Creek District's adjusted test-year operations support an overall revenue requirement of \$1,306,723 and that a \$22,095 revenue increase, or 1.74 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.<sup>8</sup> In the absence of a cost-of-service study (COSS), Commission Staff allocated its recommended revenue increase evenly across all customer classes to calculate its recommended wastewater rates.

On February 6, 2025, Wood Creek District filed its response to Commission Staff's Report.<sup>9</sup> In its written comments, Wood Creek District concurred with the findings in the Commission's Staff Report and waived its right to request an informal conference or hearing in this case.

---

<sup>5</sup> Order (Ky. PSC Oct. 16, 2024).

<sup>6</sup> Wood Creek District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Nov. 18, 2024). Wood Creek District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Dec. 16, 2024).

<sup>7</sup> Commission Staff's Report (issued Jan. 23, 2025).

<sup>8</sup> Commission Staff's Report at 4.

<sup>9</sup> Wood Creek District's Response to Staff Report (filed Feb. 6, 2025).

## LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."<sup>10</sup> Further, the utility bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

## BACKGROUND

Wood Creek District is a water and sewer utility organized pursuant to KRS Chapter 74. Wood Creek District's Water Division owns and operates a water distribution system through which it provides retail water service to approximately 4,923 residential customers and 384 commercial customers that reside in Laurel County, Kentucky.<sup>11</sup> Wood Creek District's Wastewater Division owns and operates sewage facilities in Laurel County, Kentucky, that serve approximately 1,270 residential customers and 179 commercial customers.<sup>12</sup> Wood Creek District's last base rate increase pursuant to the alternative rate filing procedure was in Case No. 2013-00170.<sup>13</sup>

---

<sup>10</sup> *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); and *Public Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

<sup>11</sup> *Annual Report of Wood Creek Water District to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report), at 49 and 12.

<sup>12</sup> *Annual Report of Wood Creek Water District Wastewater Division to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Wastewater Annual Report), at 25 and 9.

<sup>13</sup> Case No. 2013-00170, *Application of Wood Creek Water District Wastewater Division* (Ky. PSC Nov. 12, 2013).

Since that matter, Wood Creek District has only adjusted its rates pursuant to a treated sewer adjustment.

TEST PERIOD

The calendar year ended December 31, 2023, was used as the test year to determine the reasonableness of Wood Creek District’s existing and proposed wastewater rates as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

The Commission Staff’s Report summarizes Wood Creek District’s pro forma income statement as follows:

Description	Test Year	Total Pro Forma Adjustments	Commission Staff's Pro Forma
Total Operating Revenues	\$ 1,188,611	\$ 96,037	\$ 1,284,648
Total Operating Expenses ( )	(1,267,028)	4,659	(1,262,369)
Net Operating Income	(78,417)	100,696	22,279
Interest and Dividend Income	20	-	20
Interest on Long-Term Debt ( )	(22,825)	-	(22,825)
Income Available to Service Debt	<u>\$ (101,222)</u>	<u>\$ 100,696</u>	<u>\$ (526)</u>

REVIEW OF COMMISSION STAFF’S RECOMMENDATIONS

Wood Creek District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff’s Report, Commission Staff recommended additional adjustments. The Commission finds reasonable and accepts the recommendations contained in Commission Staff’s Report. The Commission has no further modifications. The following is the Commission’s complete pro forma.

Description	Test Year	Wood Creek District Proposed Adjustments	Commission Staff Adjustments	Total Pro Forma Adjustments	Commission Staff's Pro Forma	Commission Approved Adjustments	Commission Approved Pro Forma
<b>Operating Revenues</b>							
Sewage Service Revenues	\$ 1,172,658	\$ 96,037	\$ -	\$ 96,037	\$ 1,268,695	\$ -	\$ 1,268,695
Miscellaneous Operating Revenues - Late Fees	15,953	-	-	-	15,953	-	15,953
<b>Total Operating Revenues</b>	<b>1,188,611</b>	<b>96,037</b>	<b>-</b>	<b>96,037</b>	<b>1,284,648</b>	<b>-</b>	<b>1,284,648</b>
<b>Operation, Maintenance and Admin Expenses</b>							
<i>Operation Expenses</i>							
Fuel/ Power Purchased for Pumping and Treatment	27,923	-	-	-	27,923	-	27,923
Chemicals	13,242	-	-	-	13,242	-	13,242
Miscellaneous Supplies and Expenses - Collection System	717	-	-	-	717	-	717
<i>Maintenance Expenses</i>							
Maintenance of Collection Sewer System	52,169	-	-	-	52,169	-	52,169
Maintenance of Pumping System	341,079	-	-	-	341,079	-	341,079
Maintenance of Other Plant and Facilities	13,791	-	-	-	13,791	-	13,791
<i>Administrative and General Expenses</i>							
Administrative and General Salaries	26,603	-	(4,800)	(4,800)	21,803	-	21,803
Outside Services Employed	533,649	-	8,120	8,120	541,769	-	541,769
<b>Total Sewer Operation and Maintenance Expenses</b>	<b>1,009,173</b>	<b>-</b>	<b>3,320</b>	<b>3,320</b>	<b>1,012,493</b>	<b>-</b>	<b>1,012,493</b>
Depreciation Expense	257,855	83,843	(91,822)	(7,979)	249,876	-	249,876
<b>Total Operating Expenses</b>	<b>1,267,028</b>	<b>83,843</b>	<b>(88,502)</b>	<b>(4,659)</b>	<b>1,262,369</b>	<b>-</b>	<b>1,262,369</b>
Net Operating Income	(78,417)	12,194	88,502	100,696	22,279	-	22,279
<i>Other Income &amp; Deductions</i>							
Interest and Dividend Income	20	-	-	-	20	-	20
Interest on Long-Term Debt ( )	(22,825)	-	-	-	(22,825)	-	(22,825)
<b>Income Available to Service Debt</b>	<b>\$ (101,222)</b>	<b>\$ 12,194</b>	<b>\$ 88,502</b>	<b>\$ 100,696</b>	<b>\$ (526)</b>	<b>\$ -</b>	<b>\$ (526)</b>

## PRO FORMA OPERATING STATEMENT

Billing Analysis. Wood Creek District proposed an increase to Wastewater Revenues of \$96,037,<sup>14</sup> to normalize the current billing analysis.<sup>15</sup> On April 18, 2023, Wood Creek District was authorized for a treated sewer adjustment of \$1.074 per 1,000 gallons for service provided on or after May 29, 2023, which resulted in an increase in cost of approximately \$123,836.<sup>16</sup> Approximately \$52,638<sup>17</sup> is not reflected in the test year and is a component of the \$96,037 adjustment. Wood Creek District reported total

<sup>14</sup> Wood Creek District's Response to Staff's First Request, Item 1d, Revised\_Attachment\_4\_-\_Schedule\_of\_Adjusted\_Operations\_-\_Sewer.pdf.

<sup>15</sup> Wood Creek District's Response to Staff's First Request, Item 1d, Revised\_Attachment\_4\_-\_Schedule\_of\_Adjusted\_Operations\_-\_Sewer.pdf.

<sup>16</sup> Case No. 2023-00110, *Electronic Treated Sewage Adjustment Filing of Wood Creek Water District* (Ky. PSC Apr. 28, 2023), final Order at 5.

<sup>17</sup> Commission Staff Report at 7; Wood Creek District's Response to Staff's Second Request, Item 1.\_-\_Monthly\_Test\_Year\_Data.pdf.

wastewater sales in its annual report for the test year of \$1,172,658.<sup>18</sup> Wood Creek District provided a billing analysis to calculate a normalized revenue amount of \$1,268,695, based on the usage during the test year and using the rates authorized in the current tariff.<sup>19</sup>

Commission Staff verified the billing analysis and recommended Commission approval of the adjustment to increase Wastewater Revenues by \$96,037, because it meets the ratemaking criteria of being known and measurable.<sup>20</sup>

The Commission finds that Wood Creek District's proposed adjustment should be accepted. Wood Creek District's Sewage Retail Revenues should be increased by \$96,037, a known and measurable change based on a thorough review of Wood Creek District's billing analysis. This adjustment reflects verifiable usage patterns and revenue data that were evaluated and normalized using the information provided in the record. The Commission finds that the methodology used to determine this adjustment is reasonable and consistent with regulatory principles.

Administrative and General Salaries. Wood Creek District's Board of Commissioners is composed of three members<sup>21</sup> who are each authorized to receive a salary of \$6,000 annually.<sup>22</sup> Wood Creek District stated that 2023 training records are

---

<sup>18</sup> 2023 Annual Report at 25.

<sup>19</sup> Wood Creek District's Response to Staff's First Request, Item 18, Revised Billing Analysis, 18.\_-  
\_Revised\_Billing\_Analysis.xlsx.

<sup>20</sup> Commission Staff's Report at 7.

<sup>21</sup> Wood Creek District's Response to Staff's First Request, Item 11, 11\_-  
\_Commissioners\_Information.pdf.

<sup>22</sup> Wood Creek District's Response to Staff's First Request, Item 11, 11\_-  
\_Commissioners\_Information.pdf.

not available because training was not obtained for Charlie Keller and Glen Williams.<sup>23</sup>

Commissioner Lewis's training record for 2024 was provided, and he was eligible to receive \$6,000.<sup>24</sup> KRS 74.020(6) states:

Each commissioner shall receive an annual salary of not more than thirty-six hundred dollars (\$3,600), which shall be paid out of the water district fund, except that beginning January 1, 1999, and subject to subsection (9) of this section, each commissioner who completes during an educational year a minimum of six (6) instructional hours of water district management training approved by the Public Service Commission may receive an annual salary of not more than six thousand dollars (\$6,000) to be paid out of the water district fund. An educational year shall begin on January 1 and end on the following December 31.<sup>25</sup>

Since two members of the Board of Commissioners have not completed the required annual training, those members are entitled, by statute, to only \$3,600 in annual compensation for 2023. Commission Staff reduced Administrative and General Salaries by \$4,800, as shown in the following table.

Commissioners	Pro Forma Salaries
Charlie Keller	\$ 3,600
Glen Williams	3,600
James Lewis	6,000
Commission Staff's Adjustment	13,200
Wood Creek Water's Proposed Adjustment ( )	(18,000)
Difference Between Commission Staff's Adjustment and Wood Creek District's Adjustment	<u>\$ (4,800)</u>

---

<sup>23</sup> Wood Creek District's Response to Staff's Second Request, Item 3a.

<sup>24</sup> Wood Creek District's Response to Staff's First Request, Item 12, 12\_-\_Commissioners\_Training.pdf.

<sup>25</sup> KRS 74.020(6).

Commission Staff recommended the Commission accept Commission Staff's \$4,800 decrease to Administrative and General Salaries because KRS 74.020 does not allow compensation greater than \$3,600 per commissioner without the required training.<sup>26</sup>

The Commission finds that Commission Staff's recommended adjustments are appropriate due to statutory requirements. Wood Creek District's Administrative and General Salaries should be decreased by \$4,800 because the change is a direct result of KRS 74.020(6) limiting commissioner compensation to \$3,600 for Commissioners who have not completed the required six instructional hours of annual training.

Outside Services Employed. During the test year, Wood Creek District reported that \$533,649<sup>27</sup> was paid to London Utility Commission for the treatment of sewage. Wood Creek District provided the current rate charged by the London Utility Commission<sup>28</sup> as well as the monthly gallons treated throughout the test year.<sup>29</sup> Commission Staff calculated Outside Services Employed using the test-year gallons purchased and the current rates resulting in a pro forma expense of \$541,769 resulting in an increase of \$8,120, as shown in the following table.

---

<sup>26</sup> Commission Staff's Report at 8.

<sup>27</sup> Application, Exhibit 4, 4a\_Attachment\_4\_Sewer\_Operations+and\_Maintenance.pdf.

<sup>28</sup> Wood Creek District's Response to Staff's Second Request, Item 1, 1.\_Monthly\_Test\_Year\_Data.pdf.

<sup>29</sup> Wood Creek District's Response to Staff's Second Request, Item 1, 1.\_Monthly\_Test\_Year\_Data.pdf.



Month	Gallons Treated	Cost Per Gallon	Pro Forma
January	9,851,200	0.00398	\$ 39,208
February	9,780,300	0.00398	38,926
March	9,581,200	0.00398	38,133
April	10,899,400	0.00398	43,380
May	10,500,900	0.00398	41,794
June	13,707,500	0.00398	54,556
July	14,828,500	0.00398	59,017
August	16,137,100	0.00398	64,226
September	12,492,900	0.00398	49,722
October	11,919,400	0.00398	47,439
November	8,442,900	0.00398	33,603
December	7,981,500	0.00398	31,766
Commission Staff's Adjustment	<u>136,122,800</u>		<u>541,769</u>
Wood Creek Water's Proposed Adjustment ( )			(533,649)
Difference Between Commission Staff's Adjustment and Wood Creek District's Adjustment			<u>\$ 8,120</u>

Commission Staff recommended the Commission accept Commission Staff's \$8,120 increase to Outside Services Employed to reflect the normalization of sewage treatment expense during the test year at current rates charged.<sup>30</sup>

The Commission finds that Commission Staff's recommended adjustments are known and measurable and should be accepted. Wood Creek District's Outside Services Employed should be increased by \$8,120 because the adjustment is a known and measurable change that reflects the normalization of sewage treatment during the test year to current rates charged.

Depreciation Expense. In its application, Wood Creek District proposed an adjustment to increase Depreciation Expense by \$83,843<sup>31</sup> to adjust the service lives of assets using the National Association of Regulatory Utility Commissioners (NARUC) titled

<sup>30</sup> Commission Staff's Report at 10.

<sup>31</sup> Application, Attachment 4, 4\_Attachment\_4\_Scheduled\_of\_Adjusted\_Operations\_-\_Sewer.pdf, Schedule of Adjusted Operations – Sewer Utility, Adjustment C.

Depreciation Practices for Small Utilities (NARUC Study).<sup>32</sup> 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.<sup>33</sup> Commission Staff agreed with Wood Creek District's methodology to adjust depreciation expense. However, Commission Staff's calculation differed from Wood Creek District's in two subcategories: Pumping Equipment and Services.

For the two subcategories, Pumping Equipment and Services, Wood Creek District determined the depreciation expense by taking the entire categories' book cost and dividing it by the NARUC suggested service life midpoint.<sup>34</sup> Commission Staff reviewed each capital asset and calculated the pro forma depreciation by assigning a remaining useful life based on the NARUC suggested midpoint for assets that still had a net book Value. Commission Staff's methodology is the same as Wood Creek District's last rate case.<sup>35</sup> For assets that reached the end of their Useful life during the test year, the partial year's depreciation expense was included. Commission Staff determined Wood Creek

---

<sup>32</sup> Application, Attachment 4, 4\_Attachment\_4\_Scheduled\_of\_Adjusted\_Operations\_-\_Sewer.pdf, Schedule of Adjusted Operations – Sewer Utility, References, Adjustment C.

<sup>33</sup> See Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), Order; Case 2023-00134, *Electronic Application of North Marshall Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC, Dec. 22, 2023), Order at 30; Case 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), Order at 36.

<sup>34</sup> Wood Creek District's Response to Staff's Second Request, Item 7a, 7a.\_.\_Table\_A-Depreciationb\_Adjustment.xlsx.

<sup>35</sup> Case No. 2022-00145, *Electronic Application of Wood Creek Water District for a General Adjustment of Rates*, (Ky. PSC, Dec 20, 2022), Order at 13.

District’s calculation included several capital assets that were already fully depreciated. Commission Staff did not include the assets in its calculation.

Commission Staff calculated Depreciation Expense of \$253,150, as shown in the following table, which is \$7,979 less than the reported test year amount of \$261,129 and \$91,822 less than Wood Creek District’s proposed \$83,843 increase to Depreciation Expense.

Asset Class	NARUC Recommended Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
Collection Systems	25 - 50	\$ 123,611	\$ 8,339	\$ 131,950
Pumping Equipment	20	76,113	11,250	87,363
Services	30 - 50	55,649	(25,192)	30,457
Communication Equipment	10	1,997	(998)	999
Collecting & Impounding Reservoirs	25 - 35	3,759	(1,378)	2,381
Commission Staff's Adjustment		<u>\$ 261,129</u>	(7,979)	<u>\$ 253,150</u>
Wood Creek Water's Proposed Adjustment ( )			(83,843)	
Difference Between Commission Staff's Adjustment and Wood Creek District's Adjustment			<u>\$ (91,822)</u>	

Commission Staff recommended the Commission accept Commission Staff’s \$7,979 decrease to Depreciation Expense to reflect the annualization of Depreciation expense at the recommended NARUC midpoint service lives for assets that still have a remaining Net Book Value.<sup>36</sup>

The Commission finds that Commission Staff’s recommended adjustments are reasonable and should be accepted. Wood Creek District’s Depreciation Expense should be decreased by \$7,979 in order to align Wood Creek District’s capital asset’s useful lives with the NARUC Study’s recommended useful lives as well as only recording depreciation for the assets that still have a remaining Net Book Value.

<sup>36</sup> Commission Staff’s Report at 11.

SUMMARY OF ADJUSTMENTS

Based upon the Commission’s findings discussed above, the following table summarizes Wood Creek District’s adjusted pro forma:

Description	Commission Staff's Pro Forma	Pro Forma Adjustments	Commission Approved Pro Forma
Total Operating Revenues	\$ 1,284,648	\$ -	\$ 1,284,648
Total Operating Expenses ( )	(1,262,369)	-	(1,262,369)
Net Operating Income	22,279	-	22,279
Interest and Dividend Income	20	-	20
Interest on Long-Term Debt ( )	(22,825)	-	(22,825)
Income Available to Service Debt	<u>\$ (526)</u>	<u>\$ -</u>	<u>\$ (526)</u>

OVERALL REVENUE REQUIREMENT AND  
REQUIRED REVENUE INCREASE

The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations. This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital;<sup>37</sup> (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

---

<sup>37</sup> The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm’n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky. 1986). Although a water district’s lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account’s balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district’s general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

Description	Commission Staff Recommended	Commission Approved
Pro Forma Operating Expenses	\$ 1,262,369	\$1,262,369
Average Annual Principal and Interest Payments	36,962	36,962
Additional Working Capital	7,392	7,392
Total Revenue Requirement	1,306,723	1,306,723
Other Revenue ( )	(15,953)	(15,953)
Interest and Dividend Income ( )	(20)	(20)
Revenue Required From Water Sales	1,290,770	1,290,770
Less: Revenue from Sales at Present Rates ( )	(1,268,695)	(1,268,695)
Required Revenue Increase / (Decrease)	<u>\$ 22,075</u>	<u>\$ 22,075</u>
Percentage Increase / (Decrease)	<u>1.74%</u>	<u>1.74%</u>

Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Wood Creek District had one bond with the United States Department of Agriculture (USDA) Rural Development (RD).<sup>38</sup> In its application, Wood Creek District requested recovery of the average annual principal and interest on its indebtedness based on an average of the annual principal, and interest and fee payments for five years from 2023 thru 2027.<sup>39</sup> Commission Staff did not agree with using the 2023 and 2024 principal and interest payments in the calculation because the 2023 and 2024 debt service payments would have been recovered through Wood Creek District's existing rates. Therefore, only the debt service payments that will be made after the new rates are placed into effect should be considered in determining Wood Creek District's Annual Principal and Interest Expense. Commission Staff calculated the average annual principal and interest on a five-year average for the years 2025 through 2029. As shown

<sup>38</sup> Case 2018-00066, *Application of Wood Creek Water District for a Certificate of Public Convenience and Necessity to Construct a Sewer Improvement Project and an Order Authorizing the Issuance of Securities and Increase Rates Pursuant to KRS 278.023*, (Mar. 16, 2018).

<sup>39</sup> Wood Creek District's Response to Staff's First Request, Item 7, 7b.\_-Table\_b\_Debt\_Service.xlsx.

in the following table, Commission Staff calculated an Average Principal and Interest expense of \$36,962.

Year	RD Series 2001A		Total
	Principal	Interest	
2025	\$ 15,000	\$ 22,206	\$ 37,206
2026	15,000	21,794	36,794
2027	15,500	21,374	36,874
2028	16,000	20,941	36,941
2029	16,500	20,494	36,994
Total	<u>\$ 78,000</u>	<u>\$ 106,810</u>	184,810
Divided by: 5 Years			5
Average Annual Principal and Interest Payments			<u>\$ 36,962</u>

The Commission finds Commission Staff's calculated Average Interest and Principal Payments of \$36,962 should be included in Wood Creek District's Revenue Requirement because the DSC methodology allows for the recovery of the principal and interest payments. The Commission agrees that the years 2023 and 2024 should not be included in the calculation.

Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its application, Wood Creek District requested recovery of an allowance for working capital that is equal to 110 percent of its average annual principal and debt payments at the time of its application for a total of \$3,700.<sup>40</sup>

In the application, the outstanding Bond resolution RD requires revenues to be equal at least 120 percent of the average annual debt service requirements for principal

---

<sup>40</sup> Application, Attachment 4, 4b\_Revenue\_Requirement\_Calculation.pdf, Revenue Requirements Table.

and interest on all of the then Outstanding Bonds payable from the revenues of the System.<sup>41</sup> Commission Staff disagreed with Wood Creek District’s methodology of including 110 percent of its average annual principal and debt payments at the time of its application, since RD requires that Wood Creek District charge rates that produce net revenues that are at least 120 percent of its annual debt payments. Commission Staff instead calculated 120 percent of average annual principal and debt payments. Therefore, with the adjustment to the average Annual Principal and Interest Payments, \$7,392 should be included in the revenue requirement as shown in the following table.

Average Annual Principal and Interest	\$ 36,962
Times: DSC Coverage Ratio	120%
Total Net Revenues Required	<u>44,354</u>
Less: Average Annual Principal and Interest Payments	(36,962)
Additional Working Capital	<u><u>\$ 7,392</u></u>

The Commission finds Commission Staff’s calculated Additional Working Capital of \$7,392 should be included in Wood Creek District’s Revenue Requirement because the Additional Working Capital is consistent with RD requirements and a direct result of the calculated Annual Debt Principal and Interest payments.

#### RATE DESIGN

Monthly Wastewater Service Rates. Wood Creek District proposed to increase all of its monthly retail wastewater service rates evenly across the board by approximately 8.43 percent, in its application. Wood Creek District stated that a cost-of-service study (COSS) has not been performed since the inception of the Wastewater Division.<sup>42</sup> Wood

---

<sup>41</sup> Application, Attachment 8, 8\_Outstanding\_Debt\_Instruments.pdf, at 20, Section 501. Rats and Charges.

<sup>42</sup> Wood Creek District’s Response to Staff’s First Request, Item 16.

Creek District explained that because no material changes had occurred to customer usage patterns, a COSS had not been considered, but that if usage pattern changed in the future, a COSS would be considered at that time.<sup>43</sup>

The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS.<sup>44</sup> Finding no such evidence in this case, Commission Staff followed the proposed allocation methodology of Wood Creek District and allocated Commission Staff's revenue increase of \$22,095 across the board to Wood Creek District's monthly retail wastewater service rates.

The recommended rates set forth in the Appendix to this report are based upon the revenue requirement, as calculated by Commission Staff, and will produce sufficient revenues from wastewater sales to recover the \$1,290,790 Revenue Required from Wastewater Sales, an approximate 1.74 percent increase. These rates will increase a typical residential customer's monthly wastewater bill, using approximately 4,000 gallons per month, from \$43.33 to \$44.08, an increase of \$0.75 or approximately 1.73 percent.<sup>45</sup>

---

<sup>43</sup> Wood Creek District's Response to Staff's First Request, Item 16a-c.

<sup>44</sup> Case No. 2023-00299, *Electronic Application of Magoffin County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 24, 2024); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 5, 2024); Case No. 2023-00258, *Electronic Application of Kirksville Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

<sup>45</sup> Revised Customer Notice, (filed Sept. 27, 2024), 1\_Customer\_Notice-Retail.pdf, the typical residential customer uses approximately 4,000 gallons per month.



The Commission finds that the evidence provided in the record and the analysis shows that the revenue requirement as modified by the Commission and the allocation methodology used by Commission Staff are fair, just, and reasonable and should be approved.

Sewer Grinder Pump Tap Fees. Wood Creek District's current tariff, dated 2001, establishes a Standard Residential "Tap on" fee (Tap fee) for the Wastewater Division of \$2,500.<sup>46</sup> Wood Creek District provided updated cost justification information for the Tap fee on a sewer grinder pump, which increased by \$2,870 from \$2,500 to \$5,370,<sup>47</sup> which is a significant increase.

Wood Creek District did not propose an increase to the Tap Fees. However, Commission Staff recommended the Commission increase the Tap fee to reflect current costs that have increased significantly from the 2001 tariff amount.<sup>48</sup>

The Commission accepts Commission Staff's recommendation because the amounts are known and measurable and finds that the increase is reasonable because it reflects the utilities actual costs. The utility should recover the full expense in order to prevent an under-recovery, which may not initially be reflected in the utility's financial health but over time has detrimental effects.

### SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission

---

<sup>46</sup> P.S.C. Ky. Original, Sheet No. 2 (issued Jul. 12, 2001), effective Aug. 13, 2001.

<sup>47</sup> Wood Creek District's Response to Commission Staff's First Request, Item 22.\_- \_Tap\_Fee\_Justification.pdf.

<sup>48</sup> Commission Staff's Report at 5.

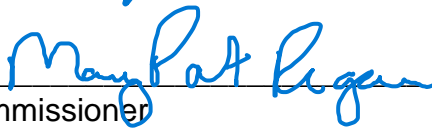
Staff's Report, are supported by the evidence of record and are reasonable. By applying the DSC method to Wood Creek District's pro forma operations results in an Overall Revenue Requirement of \$1,306,723 and that a \$22,095 revenue increase, or 1.74 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report, are adopted and incorporated by reference into this Order as if fully set out herein.
2. The wastewater service rates proposed by Wood Creek District are denied.
3. The wastewater service rates set forth in the Appendix to this Order are approved for service rendered by Wood Creek District on or after the date of this Order.
4. Within 20 days of the date of service of this Order, Wood Creek District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.
5. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Commissioner

  
\_\_\_\_\_  
Commissioner

ATTEST:

  
\_\_\_\_\_  
Executive Director RP

ENTERED  
MAR 21 2025 AH  
KENTUCKY PUBLIC  
SERVICE COMMISSION

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00242 DATED MAR 21 2025

The following rates and charges are prescribed for the customers in the area served by Wood Creek Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of the Order.

Monthly Rates

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$28.49	Minimum Bill
Next	1,500 Gallons	0.01062	Per Gallon
Next	1,500 Gallons	0.00993	Per Gallon
Next	2,500 Gallons	0.00901	Per Gallon
Over	7,500 Gallons	0.00800	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$59.35	Minimum Bill
Next	2,500 Gallons	0.00901	Per Gallon
Over	7,500 Gallons	0.00800	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$181.88	Minimum Bill
Over	20,000 Gallons	0.00800	Per Gallon

3-Inch Meter

First	30,000 Gallons	\$261.85	Minimum Bill
Over	30,000 Gallons	0.00800	Per Gallon

6-Inch Meter

First	100,000 Gallons	\$821.74	Minimum Bill
Over	100,000 Gallons	0.00800	Per Gallon

"Tap on" Fees

Standard Residential (Single Family)	\$5,370.00
--------------------------------------	------------

\*Brenden R. Welch  
P.E.  
Kenvirons, Inc.  
452 Versailles Road  
Frankfort, KENTUCKY 40602

\*Wood Creek Water District  
1670 Hal Rogers Parkway  
P. O. Box 726  
London, KY 40743

\*Dewayne Lewis  
Wood Creek Water District  
P. O. Box 726  
London, KY 40743