

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NORTH LOGAN)	2025-00003
WATER DISTRICT)	

ORDER

On January 15, 2025, North Logan Water District #1 (North Logan District #1) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068.

LEGAL STANDARD

In accordance with KRS 278.015, when a wholesale supplier selling water to a water district increases its rates, the water district has the authority to increase its rate commensurate with the wholesale supplier. The water district must file, within the statutory and regulatory deadlines, a copy of the notice from the wholesale supplier showing the increase in the wholesale rate, and a statement of the volume of purchased water used to calculate the rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

DISCUSSION AND FINDINGS

North Logan District #1 purchases water from Logan-Todd Regional Water Commission (Logan-Todd Regional). Logan-Todd Regional notified North Logan District #1 that its wholesale rate would increase from \$3.33 per 1,000 gallons to \$3.36 per 1,000 gallons, effective January 1, 2025. North Logan District #1 proposed to increase the

water rates to its customers effective February 1, 2025, to reflect the increased cost of purchased water from Logan-Todd Regional.

Unaccounted-for Water Loss

Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes a utility's unaccounted-for water loss shall not exceed 15 percent of the total water produced and purchased, excluding water consumed by a utility in its own operations. In its 2021 Annual Report filed with the Commission, North Logan District #1 reported a water loss of 11.6692 percent.¹ In its 2022 Annual Report filed with the Commission, North Logan District #1 reported a water loss of 14.7416 percent.² In its 2023 Annual Report filed with the Commission, North Logan District #1 reported a water loss of 13.2427 percent.³ North Logan District #1's three-year water loss average is 13.2178 percent.⁴ The cost of North Logan District #1's total water loss using a three-year average is \$21,286.58.⁵

Financial Condition and Rates

¹ *Annual Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2021* at 57.

² *Annual Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2022* at 57.

³ *Annual Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁴ $11.6692\% + 14.7416\% + 13.2427\% = 39.6535\% / 3 \text{ years} = 13.2178\%$.

⁵ Total water cost at new wholesale rate of \$161,044.80 times 13.2178% water loss equals \$21,286.58.

Based on a review of Commission records, North Logan District #1 last sought a general base rate adjustment in 2021.⁶ In that case, an increase of \$47,567 or 12.96 percent was approved by the Commission.⁷

As documented in annual reports and audit reports filed with the Commission, North Logan District #1's rate based income, or adjusted net income minus principal payments, was negative for the years 2019 through 2023.⁸ Cash basis income, or rate based income less depreciation expense was negative in years 2019 and 2021, while positive in years 2020, 2022, and 2023.⁹ In Case No. 2021-00286, the near term financial performance of North Logan District #1 was not determined to be detrimentally affected by debt service of 18 months being spread over a five-year period for rate recovery. A chart summarizing cash basis and rate based income may be found below.

Description / Year	Audited 2019	Audited 2020	Audited 2021	Audited 2022	Audited 2023
Adjusted Net Income / (Loss)	\$ (94,589)	\$ (35,322)	\$ (62,533)	\$ (56,026)	\$ (39,709)
Subtract: Principal Payments ()	(23,689)	(23,927)	(24,167)	(24,410)	(12,294)
Rate Based Income	\$ (118,278)	\$ (59,249)	\$ (86,700)	\$ (80,436)	\$ (52,003)
Add: Depreciation Expense	79,960	79,267	79,040	87,534	82,002
Cash Basis Income	\$ (38,318)	\$ 20,018	\$ (7,660)	\$ 7,098	\$ 29,999

⁶ Case No. 2021-00286, *Electronic Application of North Logan Water District #1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 14, 2021).

⁷ Case No. 2021-00286, Dec. 14, 2021 final Order.

⁸ *Audit Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2019* at 12. *Audit Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2020* at 13. *Audit Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2021* at 14. *Audit Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2022* at 14. *Audit Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2023* at 14.

⁹ *Audit Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2019* at 12. *Audit Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2020* at 13. *Audit Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2021* at 14. *Audit Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2022* at 14. *Audit Report of North Logan District #1 to the Public Service Commission for the Year Ended December 31, 2023* at 14.

The shortfall in rate based income since 2019 leads the Commission to conclude that North Logan District #1 should file an application for a general base rate adjustment or an alternative rate adjustment pursuant to 807 KAR 5:076 by July 31, 2026, , to ensure that its revenue is sufficient to support adequate and reliable service or file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary.

Purchased Water Adjustment Factor

In its application, North Logan District #1 proposed a purchased water adjustment factor of \$0.04 per 1,000 gallons. During the 12 months ended October 31, 2024, North Logan District #1 purchased 47,930,000 gallons of water from Logan-Todd Regional and sold 43,300,370 gallons of water to its customers. The increase in the cost of purchased water from Logan-Todd Regional is \$1,437.90, resulting in a purchased water adjustment factor of \$0.04 per 1,000 gallons.

The purchased water adjustment factor of \$0.04 per 1,000 gallons, as calculated in Appendix A, and the rates set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by North Logan District #1 on and after February 1, 2025, because the rates are supported by evidence of the increase in rates from North Logan District #1's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

On or before July 31, 2026, North Logan District #1 should file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, file a formal

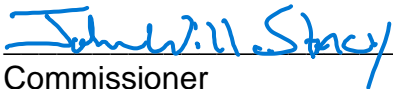
motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary.

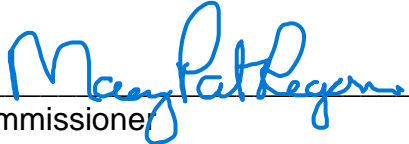
IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.04 per 1,000 gallons is approved.
2. The rates proposed by North Logan District #1 are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North Logan District #1 on and after February 1, 2025.
4. Within 20 days of the date of service of this Order, North Logan District #1 shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. On or before July 31, 2026, North Logan District #1 shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve North Logan District #1 from this requirement.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director

ENTERED
FEB 12 2025
AH
KENTUCKY PUBLIC
SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00003 DATED FEB 12 2025

	Base Rate	New Rate	Change
<u>Logan Todd Regional Water Commission</u>			
Purchases in Gallons	47,930,000	47,930,000	
Rate per 1,000 Gallons	\$3.33/1,000	\$3.36/1,000	
Subtotal	\$159,606.90	\$161,044.80	\$1,437.90
Total	\$159,606.90	\$161,044.80	
Increased water cost			\$1,437.90
Increased water cost		\$1,437.90	
Divided by Gallons sold/1,000		43,300,370	
Purchased water adjustment factor		\$0.04	per 1,000 Gallons
		or \$ 0.00004	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00003 DATED FEB 12 2025

The following rates and charges are prescribed for the customers in the area served by North Logan Water District #1. 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 this Order.

Monthly Water Rates

First	2,000 Gallons	\$26.15	Minimum Bill
Next	2,000 Gallons	0.01195	Per Gallon
Next	6,000 Gallons	0.00764	Per Gallon
Next	15,000 Gallons	0.00725	Per Gallon
Over	25,000 Gallons	0.00685	Per Gallon

*Chris Wilcutt
Project Engineer
McGhee Engineering, Inc.
202 Ewing Street
P. O. Box 267
Guthrie, KENTUCKY 42234-0267

*North Logan Water District #1
3118 Lewisburg Road
Russellville, KY 42276

*Tim Barr
North Logan Water District #1
3118 Lewisburg Road
Russellville, KY 42276