

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF TODD COUNTY	)	2025-00004
WATER DISTRICT	)	

ORDER

On January 10, 2025, Todd County Water District (Todd District) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. On January 14, 2025, the Commission notified Todd District that its application was rejected for certain filing deficiencies. On January 17, 2025, Todd District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of January 17, 2025.

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

Todd District purchases water from Logan-Todd Regional Commission (Logan-Todd Regional). Logan-Todd Regional notified Todd District that its wholesale rate would increase from \$3.33 per 1,000 gallons to \$3.36 per 1,000 gallons, effective January 1, 2025. Todd District proposes 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, Todd District reported a water loss of 11.4333 percent.<sup>1</sup> In its 2022 Annual Report filed with the Commission, Todd District reported a water loss of 15.8520 percent.<sup>2</sup> In its 2023 Annual Report filed with the Commission, Todd District reported a water loss of 15.0090 percent.<sup>3</sup> Todd District's three-year water loss average is 14.0981.<sup>4</sup> The cost of Todd District's total water loss using a three-year average is \$142,933.55.<sup>5</sup>

---

<sup>1</sup> *Annual Report of Todd District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

<sup>2</sup> *Annual Report of Todd District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

<sup>3</sup> *Annual Report of Todd District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

<sup>4</sup>  $11.4333\% + 15.8520\% + 15.0090\% = 42.2943\% / 3 \text{ years} = 14.0981 \text{ percent.}$

<sup>5</sup> Total water cost at new wholesale rate of \$1,013,849.76 times 14.0981% water loss equals \$143,933.55.

## Financial Condition and Rates

Based on a review of Commission records, Todd District has not sought a general base rate adjustment since 2003.<sup>6</sup> Todd District's only rate increases have occurred as a condition for federal financing of a construction project in accordance with KRS 278.023. In accordance with the provisions of KRS 278.023, the Commission's review of such applications is a limited review of a utility's total financial stability and operational viability.

In Case No. 2019-00041, the Commission discussed the problems that can occur when utilities avoid a review of their financial records by relying solely on financing cases to increase rates.<sup>7</sup> A key recommendation from that proceeding was that water districts should monitor the sufficiency of their base rates closely and, in general, apply for base rate adjustments on a more frequent basis.<sup>8</sup>

Based upon a review of the audit reports filed with the Commission, both rate based income (adjusted net income minus principal payments) and cash basis income (rate based income plus depreciation expense) were positive for all years.<sup>9</sup> Future rate cases should be filed at least every three to five years depending on financial performance.

---

<sup>6</sup> Case No. 2003-00088, *Application of the Todd County Water District for Approval of a Proposed Increase in Rates for Water Service* (Ky. PSC Aug. 1, 2003).

<sup>7</sup> See Case No. 2019-00041, Nov. 22, 2019 final Order.

<sup>8</sup> See Case No. 2019-00041, Nov. 22, 2019 final Order.

<sup>9</sup> *Audit Report of Todd District to the Public Service Commission for the Year Ended December 31, 2019* at 17. *Audit Report of Todd District to the Public Service Commission for the Year Ended December 31, 2020* at 10. *Audit Report of Todd District to the Public Service Commission for the Year Ended December 31, 2021* at 16. *Audit Report of Todd District to the Public Service Commission for the Year Ended December 31, 2022* at 16. *Audit Report of Todd District to the Public Service Commission for the Year Ended December 31, 2023* at 16.

Description / Year	2019	2020	2021	2022	2023
<b>Adjusted Net Income / (Loss)</b>	<b>\$ 291,706</b>	<b>\$ 366,176</b>	<b>\$ 342,161</b>	<b>\$ 257,973</b>	<b>\$ 344,729</b>
Subtract: Principal Payments ( )	(173,000)	(181,000)	(318,000)	(160,000)	(317,000)
<b>Rate Based Income</b>	<b>\$ 118,706</b>	<b>\$ 185,176</b>	<b>\$ 24,161</b>	<b>\$ 97,973</b>	<b>\$ 27,729</b>
Add: Depreciation Expense	505,064	503,295	619,361	674,852	607,359
<b>Cash Basis Income</b>	<b>\$ 623,770</b>	<b>\$ 688,471</b>	<b>\$ 643,522</b>	<b>\$ 772,825</b>	<b>\$ 635,088</b>

Purchased Water Adjustment Factor

In its application, Todd District proposed a purchased water adjustment factor of \$0.04 per 1,000 gallons. During the 12 months ended October 31, 2024, Todd District purchased 301,741,000 gallons of water from Logan-Todd Regional and sold 260,113,000 gallons of water to its customers. The increase in the cost of purchased water from Logan-Todd Regional is \$9,052.23, resulting in a purchased water adjustment factor of \$0.04 per 1,000 gallons.

In its application, Todd District incorrectly calculated the proposed Minimum Bill for the First 1,500,000 Gallons of the Industrial 8-inch Meter and Above size as \$19,545, instead of the correct minimum bill of \$19,560<sup>10</sup> for the First 1,500,000 Gallons.<sup>11</sup> The rates reflected in Appendix B are the correct rates calculated using a purchased water adjustment factor of \$0.04 per 1,000 gallons and the current rates listed in the tariff on file with the Commission.

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 Todd District on and after February 1, 2025, because the rates are supported by evidence of the increase in

---

<sup>10</sup> \$19,500 per 1,000 gallons (Current tariff) plus \$60(1,500,000 times (\$0.04/1,000) equals \$19,560 per gallons.

<sup>11</sup> Application, Exhibit C and Exhibit D.

rates from Todd District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

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 Todd District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Todd District on and after February 1, 2025.
4. Within 20 days of the date of service of this Order, Todd 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

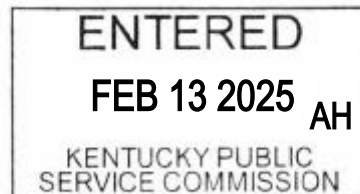
  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Commissioner

  
\_\_\_\_\_  
Commissioner

ATTEST:

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



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2025-00004 DATED FEB 13 2025

	Base Rate	New Rate	Change
<u>Logan Todd Regional Water Commission</u>			
Purchases in Gallons	301,741,000	301,741,000	
Rate per 1,000 Gallons	<u>\$3.33/1,000</u>	<u>\$3.36/1,000</u>	
Subtotal	\$1,004,797.53	\$1,013,849.76	\$9,052.23
Total	\$1,004,797.53	\$1,013,849.76	
Increased water cost			\$9,052.23
Increased water cost		\$9,052.23	
Divided by Gallons sold/1,000		<u>260,113,000</u>	
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. 2025-00004 DATED FEB 13 2025

The following rates and charges are prescribed for the customers in the area served by Todd County 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 this Order.

Monthly Water Rates

Residential/Agricultural -All Meters

First	2,000	Gallons	\$24.08	Minimum Bill
Next	18,000	Gallons	0.01204	Per Gallon
Over	20,000	Gallons	0.00829	Per Gallon

Industrial 8-Inch Meter and Above

First	1,500,000	Gallons	\$19,560.00	Minimum Bill
Next	1,500,000	Gallons	0.00829	Per Gallon
Next	1,500,000	Gallons	0.00654	Per Gallon
Next	1,500,000	Gallons	0.00634	Per Gallon
Next	1,500,000	Gallons	0.00619	Per Gallon
Next	1,500,000	Gallons	0.00609	Per Gallon
Over	9,000,000	Gallons	0.00604	Per Gallon

Christian County Water District

Surcharge Flat Rate	\$50.00
Volumetric Rate	0.00336 Per Gallon

<u>Wholesale Rate</u>	0.00591 Per Gallon
-----------------------	--------------------



\*Carla Knight  
Todd County Water District  
P. O. Box 520  
Elkton, KY 42220

\*Todd County Water District  
2201 New Highway 68 West  
P. O. Box 520  
Elkton, KY 42220