

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST LOGAN)	CASE NO.
WATER DISTRICT, INC. FOR A RATE)	2025-00265
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

O R D E R

By Order dated January 24, 2025, the Commission ordered East Logan Water District (East Logan District):

[o]n or before August 30, 2025, East Logan District shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or 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.¹

On August 7, 2025, East Logan District filed its notice of intent to file an application pursuant to 807 KAR 5:076. However, on August 30, 2025, East Logan District filed a motion to accept an analysis of revenues and rates (Motion to Accept) in both this case and Case No. 2024-00400. East Logan District's Motion to Accept sought the Commission to:

(1) accept the results of the rate analysis attached to and embedded in this Motion; (2) find that the District's present rates are adequate and that the District should not be required to submit an application for an adjustment of its rates for water service at this time; (3) find that the District has satisfied the requirements set forth in Ordering Paragraph 5 of its Order of

¹ Case No. 2024-00400, *Electronic Purchased Water Adjustment Filing of East Logan Water District* (Ky. PSC Jan. 24, 2025), Order at 7, ordering paragraph 5.

January 24, 2025; and (4) close and remove from its docket Cases No. 2024-00400 and No. 2025-00265.²

On October 28, 2025, the Commission continued this case to allow Commission Staff to conduct discovery sufficient to determine whether East Logan District's rates were adequate to generate revenue sufficient to "furnish adequate, efficient and reasonable service" to its customers pursuant to KRS 278.030(2), without filing an Alternative Rate Filing (ARF) pursuant to 807 KAR 5:076. East Logan District responded to one set of data requests from Commission Staff (Staff).³

Having reviewed the record and being advised, the Commission finds that the motion should be granted regarding the January 24, 2025 Order's requirement that an ARF be filed by August 31, 2025, as East Logan District has established that its current rates are sufficient to furnish adequate, efficient and reasonable service.

However, the Commission also finds that, based on the information provided by East Logan District, the utility may be over-recovering to the extent that rates are not "fair, just and reasonable" as required by KRS 278.030(1). The Commission identified two issues with East Logan District's calculations. First, East Logan District made additional principal payments toward debt service in excess of the required minimum in various years, however, it did not update the amortization amounts for interest expense in its financial statement footnotes.⁴ Neither East Logan District's independent auditor nor its rate consultant for this project identified the issue which resulted in an overstated amount

² East Logan District's Motion to Accept (filed Aug.. 30, 2025) at 6.

³ East Logan District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Nov. 12, 2025).

⁴ East Logan District's Response to Staff's First Request, Item 1a.

for Average Annual debt principal and interest payments of \$89,151.⁵ The overstatement is due to East Logan District using the original debt amortization schedule in its calculation instead a revised schedule reflecting the additional payments to principal, the Commission calculated that the debt coverage requirement potentially be overstated by up to \$45,000. Second, East Logan District initially submitted a schedule of assets that reflected \$114,818 less depreciation than was reported in its test year.⁶ East Logan District provided a complete asset listing to reflect the correct depreciation amount⁷ and the Commission calculated that the depreciation adjustment for NARUC lives could potentially be understated by up to \$36,000.

Based on a review of Commission records, East Logan District last filed a general rate case in 2003;⁸ East Logan District's only rate increases have occurred as a condition for federal financing of a construction project in accordance with KRS 278.023 or in review of the nonrecurring charges.⁹ Unlike rate determinations that are set as a condition for federal financing, the Commission utilizes applications for rate changes to review the overall revenues, expenses and operations of a utility in providing safe, adequate, and efficient service. Since its last general rate case, East Logan District has experienced a

⁵ East Logan District's Motion to Accept, RateAnalysis.xlsx, RR-DC Tab, Cell J3.

⁶ East Logan District's Motion to Accept, RateAnalysis.xlsx, SAO Tab, Row 33; and Dep Tab, Cell F115.

⁷ East Logan District's Response to Staff's First Request, Item 2a, ELWD_2024_Depreciation_Schedule.pdf

⁸ Case No. 2003-00062, *Application of the East Logan Water District for Approval of a Proposed Increase in Rates for Water Service* (Ky. PSC May 2, 2003).

⁹ Case No. 2008-00201, *Application of East Logan Water District for a Certificate of Public Convenience and Necessity to Construct, Finance, and Increase Rates Pursuant to KRS 278.023* (Ky. PSC June 27, 2008), Case No. 2007-00046, *Application of East Logan Water District to Increase Certain Non-Recurring Charges* (Ky. PSC Mar. 13, 2007).

significant proportional increase in the number of Commercial Customers relative to the residential class, as shown in the following table.¹⁰ Therefore, an updated Cost of Service Study should be performed to ensure the rate structure is still appropriate.

Customer Class	2003	2020	2021	2022	2023	2024
Residential Customers	2,586	3,153	3,267	3,285	3,365	3,396
Commercial Customers	23	48	46	48	40	48
Total Customers	<u>2,609</u>	<u>3,201</u>	<u>3,313</u>	<u>3,333</u>	<u>3,405</u>	<u>3,444</u>
Commercial Customer Percentage	<u>0.88%</u>	<u>1.50%</u>	<u>1.39%</u>	<u>1.44%</u>	<u>1.17%</u>	<u>1.39%</u>

The Commission, therefore, finds that East Logan District should file an ARF on or before August 31, 2026, using a test year ending December 31, 2025, as well as perform an updated cost-of-service study to examine the reasonableness of its existing rate structure.

IT IS THEREFORE ORDERED that:

1. East Logan District's Motion to Accept is granted regarding the January 24, 2025 Order's requirement that an ARF be filed by August 31, 2025.
2. East Logan District shall file an ARF in a new case on or before August 31, 2026, using a test year ending December 31, 2025, using an updated cost-of-service study to examine the existing rate structure.
3. This case is closed and removed from the Commission's docket.

¹⁰ Annual Report of East Logan District Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2003 at 47. Annual Report of East Logan District Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2020 at 49. Annual Report of East Logan District Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2021 at 47. Annual Report of East Logan District Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2022 at 49. Annual Report of East Logan District Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2023 at 49. Annual Report of East Logan District Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2024 at 49.

PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

ATTEST:

Linda Bridwell

Executive Director

QP



Case No. 2025-00265

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