

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TREATED SEWAGE)	CASE NO.
ADJUSTMENT FILING OF JESSAMINE-SOUTH)	2025-00247
ELKHORN WATER DISTRICT)	

ORDER

On July 18, 2025, 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. On August 11, 2025, Jessamine-South Elkhorn District submitted documentation amending its application.¹

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 provider'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 provider's changed rate or no later than 20 days after the wholesale provider 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 provider and the volume of sewage treated used to calculate the increase in rates.

¹ Amendment to Schedule of Rates (Application Amendment), (filed Aug. 11, 2025), JSEWD_2025_Flow_Rate_Passthrough_Form_1_Ex_C_Schedule_amended.pdf.

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 \$8.26 per 100 cubic feet to \$8.45 per 100 cubic feet, effective July 1, 2025.²

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 July 1, 2025.

Financial Condition and Rates

Jessamine-South Elkhorn District's last alternative rate adjustment filing was Case No. 2022-00053 (2020 test year), which resulted in an increase of \$270,193 or 26.93 percent.³ The increase approved in Case No. 2022-00053 was phased in over two years starting from the final Order date of August 25, 2022.⁴ Rate based income (adjusted net income minus principal payments) was negative each year (2020-2024), although it improved in 2023 and 2024 as a result of the rate increase from Case No. 2022-00053. Cash basis income (rate based income plus depreciation) was negative in 2020 but was positive from 2021 through 2024. A chart summarizing cash basis and rate based income is presented below.

² TFS 2025-00250 (Ky. PSC May 30, 2025); LFUCG submitted the tariff on May 30, 2025, and the tariff was accepted for filing by the Commission by letter dated June 30, 2025, with an effective date of July 1, 2025.

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), final Order at 14.

⁴ See Case No. 2022-00053, Aug. 25, 2022 final Order.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Annual Report 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss) before Contributions	\$ (360,557)	\$ (263,043)	\$ (313,581)	\$ (56,537)	\$ (1,723)
Subtract: Principal Payments ()	(23,000)	(23,000)	0	(4,900)	(5,000)
Rate Based Income	\$ (383,557)	\$ (286,043)	\$ (313,581)	\$ (61,437)	\$ (6,723)
Add: Depreciation Expense	282,732	286,534	325,844	328,270	342,369
Cash Basis Income	\$ (100,825)	\$ 491	\$ 12,263	\$ 266,833	\$ 335,646
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 125,322	\$ 176,742	\$ 224,081	\$ 493,652	\$ 816,727
Restricted Funds	340,607	98,160	157,600	132,104	194,220
Adjusted Cash Balances	465,929	274,902	381,681	625,756	1,010,947
Net Increase (Decrease) in Cash	\$ 68,519	\$ (191,027)	\$ 106,779	\$ 244,075	\$ 385,191

Selected Statistical Information (PSC Annual Reports)

Revenue	\$ 983,137	\$ 1,117,701	\$ 1,188,509	\$ 1,527,107	\$ 1,820,710
Customer Count	835	859	1,116	1,180	1,316
Per Customer Revenue	\$ 1,177	\$ 1,301	\$ 1,065	\$ 1,294	\$ 1,384

In Case No. 2024-00206, the Commission recommended that Jessamine-South Elkhorn District file a revenue sufficiency analysis no later than June 30, 2025, based on 2024 financial results and that it consider filing a rate adjustment application soon thereafter if the result is negative.⁵ On May 7, 2025, Jessamine-South Elkhorn District filed a Revenue Sufficiency Analysis for its sewer system, prepared by the Kentucky Rural Water Association.⁶ The analysis indicates that the current sewer division rates of Jessamine-South Elkhorn District are sufficient.⁷

Based on review of the 2024 Annual Report⁸ and the Revenue Sufficiency Analysis, the Commission recommends Jessamine-South Elkhorn District monitor its

⁵ Case No. 2024-00206, *Electronic Treated Sewage Adjustment Filing of Jessamine-South Elkhorn Water District* (Ky. PSC July 31, 2024), final Order at 2-3.

⁶ Case No. 2024-00206, May 7, 2025 Post Case Files, Revenue Sufficiency Analysis Sewer System.

⁷ Case No. 2024-00206, May 7, 2025, Post Case Files, Revenue_Sufficiency_Analysis_Sewer_System_2025.pdf at unnumbered page 2.

⁸ *Annual Report of Jessamine-South Elkhorn Water District to the Public Service Commission for the Calendar Year Ended December 31, 2024* (2024 Annual Report).

operating performance annually and consider filing future rate cases every three to five years depending on financial performance.

Treated Sewage Adjustment Factor

In its application, Jessamine-South Elkhorn District proposed a treated sewage adjustment factor of \$0.26 per 1,000 gallons.⁹ During the 12 months ended May 31, 2025, Jessamine-South Elkhorn District's sewer customers receiving service from LFUCG used 13,076,689.72 cubic feet¹⁰ of water (97,820,439¹¹ gallons of water). The increase in the cost of treated sewage from LFUCG is \$24,845.71, resulting in a treated sewage adjustment factor of \$0.26 per 1,000 gallons.¹² In its application, Jessamine-South Elkhorn District erroneously listed its current rate for "All Over 2,000 Gallons" as \$17.805 per 1,000 gallons,¹³ instead of the correct tariff rate of \$17.68 per 1,000 gallons, leading to an incorrect proposed rate for that tier. Jessamine-South Elkhorn District subsequently filed an amended Exhibit C, Rate Schedule on August 11, 2025, with the corrected current and proposed rates.¹⁴

The Commission finds that the treated sewage adjustment factor of \$0.26 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 sewer service rendered by Jessamine-South Elkhorn District on and after July 1, 2025, because the rates are

⁹ Application at 2.

¹⁰ Application, Exhibit B, calculations.

¹¹ 13,076,689.72 cubic feet multiplied by a conversion factor of 7.48052 = 97,820,439 gallons.

¹² Jessamine-South Elkhorn District's rates are calculated per 1,000 gallons.

¹³ Application, Exhibit C, JSEWD_2025_Flow_Rate_Passthrough_Form_1_Ex_C_Schedule.pdf.


¹⁴ Application Amendment.


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 \$0.26 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, 2025.
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


Commissioner


Commissioner

ATTEST:


Executive Director



Case No. 2025-00247

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00247 DATED AUG 14 2025

Jessamine-South Elkhorn Water District
Wastewater Treatment in Gallons

	Base Rate	New Rate	Increased Cost
LFUCG (cubic feet)	13,076,689.70	13,076,689.70	
Volumetric Rate	<u>\$ 8.26/100</u>	<u>\$ 8.45/100</u>	
	\$1,080,134.57	\$ 1,104,980.28	\$24,845.71

Increased treatment cost \$24,845.71

Increased treatment cost	\$24,845.71
Divided by Gallons sold/1000	<u>97,820,439</u>
Treated Sewage adjustment factor	\$ 0.2540 per 1,000 Gallons

Or \$ 0.00026 per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00247 DATED AUG 14 2025

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	\$36.13	Minimum Bill
Over	2,000 Gallons	\$0.01794	Per Gallon

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