

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF HENDERSON)	2022-00034
COUNTY WATER DISTRICT)	

ORDER

On February 23, 2022, Henderson County Water District (Henderson District) 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 rates commensurate with the wholesale supplier. The water district must file 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. The Commission shall approve the filing by order no later than 30 days after the above documents are filed.

DISCUSSION

Unaccounted-for Water

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 2020 Annual Report filed with the Commission, Henderson District

reported a water loss of 22.5565 percent.¹ Henderson District's application provides updated purchase and sales information for a more current period than the 2020 Annual Report. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2020 Annual Report, Henderson District's unaccounted-for water loss is 25.0333 percent² for the updated period.³ Reduction of Henderson District's unaccounted-for water loss to 15 percent would result in an approximate \$152,952.83 decrease to purchased water expense.⁴ Potentially, Henderson District is paying approximately \$0.4485 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁵ Henderson District's annual expense due to 25.0333 percent water loss is \$381,620.62.⁶

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Henderson District to pursue reasonable actions to reduce its unaccounted-for water loss. The Commission encourages Henderson District

¹ *Annual Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2020* at 57.

² Water Loss of 115,734,297 gallons divided by Total water purchased of 462,320,609 gallons equals 25.0333% of purchased water loss.

³ Total Purchases (application PWA Form 1 at 2)	462,320,609
Less Total Sales (application PWA Form 1 at 2)	341,017,660
Less Plant Use (% determined from 2020 AR)	5,568,652
Water Loss – Gallons	115,734,297
Water Loss – Percent	25.0333%

⁴ Water loss above 15% is 10.0333%, potential purchased water expensed reduction (Total water cost at new wholesale rate of \$1,524,451.90 times water loss above 15%) = \$152,952.83

⁵ Potential purchased water expense reduction divided by sales (\$152,952.83/ (343,830,396/1,000)) equals \$0.4485 per 1,000 gallons.

⁶ Total water cost at new wholesale rate of \$1,524,451.90 times 0.250333 (total water loss percentage).

to continue to take actions that will further reduce its unaccounted-for water loss. Failure by Henderson District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Financial Condition and Rates

In Case No. 2022-00013, the Commission ordered Henderson District to file an application for a rate adjustment by February 10, 2023.⁷ In the alternative, Henderson District may file a formal motion with a detailed analysis of its rates and revenues and a statement of the reasons why a rate case is not necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Henderson District from this requirement.

In Case No. 2019-00041, the Commission discussed the problems that can occur when utilities intentionally avoid a review of their financial records by relying solely on financing cases to increase rates.⁸ 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.⁹

FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that:

⁷ Case No. 2022-00013, *Electronic Purchased Water Adjustment Filing of Henderson County Water District* (Ky. PSC Feb. 10, 2022).

⁸ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019) (Final Order).

⁹ Id.

1. Henderson District purchases water from Henderson Water Utility, North System (Henderson North) and Henderson Water Utility, South System (Henderson South).

2. Henderson Water Utility notified Henderson District that its wholesale rate would decrease from \$3.5029 per 1,000 gallons to \$3.2764 per 1,000 gallons from Henderson North and increase from \$3.2549 per 1,000 gallons to \$3.6160 from Henderson South effective March 31, 2022. Henderson District proposes to decrease the water rates to its customers effective March 31, 2022, to reflect the decreased cost of purchased water from Henderson Water Utility.

3. Henderson District proposed a purchased water adjustment factor of (\$0.26) per 1,000 gallons in its application.

4. During the 12 months ended December 31, 2021, Henderson District purchased 433,743,890 gallons of water from Henderson North and 28,576,719 gallons of water from Henderson South. During the same period, Henderson District sold 341,017,660 gallons of water. The decrease in the cost of purchased water is (\$87,923.94), resulting in a purchased water adjustment factor of (\$0.26) per 1,000 gallons.

5. The purchased water adjustment factor of (\$0.26) per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and shall be approved, because the water adjustment factor is supported by evidence of the change in rates from Henderson District's wholesale water suppliers and the volume of purchased water used to calculate the rates in accordance with KRS 278.015

6. Henderson District's proposed rates should be approved.

7. The rates set forth in Appendix B to this Order are fair, just and reasonable and shall be approved for water service rendered by Henderson District on and after March 31, 2022, because the rates are supported by evidence of the change in rates from Henderson District's wholesale water suppliers and the volume of purchased water used to calculate the rates in accordance with KRS 278.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of (\$0.26) per 1,000 gallons is approved.

2. The rates proposed by Henderson District are approved.

3. The rates set forth in Appendix B to this Order are approved for water service rendered by Henderson District on and after March 31, 2022.

4. Within 20 days of the date of entry of this Order, Henderson District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

5. Henderson 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 and a statement explaining the reasons why no modifications are necessary, no later than February 10, 2023. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Henderson District from this requirement.

6. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:


Linda C. Bridwell
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00034 DATED MAR 16 2022

	New Rate	Base Rate	Change
Henderson North			
Purchases in Gallons	433,743,890	433,743,890	
Wholesale rate	<u>\$3.2764/1,000</u>	<u>\$3.5029/1,000</u>	
	\$1,421,118.48	\$1,519,361.47	(\$98,242.99)
Henderson South			
Purchases in Gallons	28,576,719	28,576,719	
Wholesale rate	<u>\$3.6160/1,000</u>	<u>\$3.2549/1,000</u>	
	\$103,333.42	\$93,014.36	\$10,319.05
Total	\$1,524,451.90	\$1,612,375.83	
Decreased water cost		(\$ 87,923.94)	
Decreased water cost		(\$ 87,923.94)	
Divided by Gallons sold/1,000		<u>341,017,660</u>	
Purchased water adjustment factor		(\$ 0.2578) per 1,000 Gallons	
		or (\$ 0.26) per 1,000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00034 DATED MAR 16 2022

The following rates and charges are prescribed for the customers in the area served by Henderson 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

5/8- X 3/4-Inch Meter

First	2,000 Gallons	\$20.76 Minimum Bill
Next	8,000 Gallons	0.00769 per gallon
Next	20,000 Gallons	0.00716 per gallon
Over	30,000 Gallons	0.00663 per gallon

1-Inch Meter

First	5,000 Gallons	\$43.83 Minimum Bill
Next	5,000 Gallons	0.00769 per gallon
Next	20,000 Gallons	0.00716 per gallon
Over	30,000 Gallons	0.00663 per gallon

2-Inch Meter

First	16,000 Gallons	\$125.24 Minimum Bill
Next	14,000 Gallons	0.00716 per gallon
Over	30,000 Gallons	0.00663 per gallon

3-Inch Meter

First	30,000 Gallons	\$225.48 Minimum Bill
Over	30,000 Gallons	0.00663 per gallon

4-Inch Meter

First	50,000 Gallons	\$358.08 Minimum Bill
Over	50,000 Gallons	0.00663 per gallon

6-Inch Meter

First	100,000 Gallons	\$689.58 Minimum Bill
Over	100,000 Gallons	0.00663 per gallon

Volunteer Fire Department (Flat Rate) \$20.76 per month

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