

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF NORTH NELSON	)	2022-00146
WATER DISTRICT	)	

ORDER

On June 1, 2022, North Nelson Water District (North Nelson 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 rate 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 to calculate the rate adjustment. The Commission shall approve the filing by order 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, North Nelson District

reported a water loss of 5.6420 percent.<sup>1</sup> North Nelson 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, North Nelson District's unaccounted-for water loss is 5.9767 percent for the updated period.<sup>2</sup> The cost of North Nelson District's total water loss is \$43,982.68.<sup>3</sup>

Financial Condition and Rates

Based on a review of Commission records, North Nelson District has not sought a general base rate adjustment since 1988. North Nelson District's only rate increases have occurred as a condition for federal financing of a construction project in accordance with KRS 278.023 and as a result of supplier increases through the Purchased Water Adjustment process. 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. As a result, North Nelson District has avoided comprehensive review by the Commission of North Nelson District's financial records and operational structure for over 30 years.

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

---

<sup>1</sup> *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2020* at 58.

<sup>2</sup> Total Purchases (application PWA Form 1 at 2)	283,410,000
Less Total Sales (application PWA Form 1 at 2)	260,684,800
Less Plant Use (2.0418% determined from 2020 Annual Report)	5,786,665
Water Loss – Gallons	16,938,535
Water Loss – Percent	5.9767%

<sup>3</sup> Total water cost at new wholesale rate of \$735,902.49 times 5.9767 percent water loss equals \$43,982.68.

financing cases to increase rates.<sup>4</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>5</sup>

North Nelson District's 2020 annual report reflected net income of \$136,384 which was sufficient to fund debt service.<sup>6</sup> North Nelson District also extinguished its remaining long-term debt of \$840,000 in advance of its maturity dates during 2020. In 2021 net income declined to \$117,157.<sup>7</sup> It is noteworthy that while customer growth increased 10.5 percent from 4,489 to 4,961 from 2015<sup>8</sup> to 2021,<sup>9</sup> gallons of water sold has declined by almost 1.5 percent.<sup>10</sup> The lack of insight into North Nelson District's financial records leads the Commission to conclude that North Nelson District shall file an application for a general base rate adjustment or an alternative rate adjustment within one year of the date of this Order to ensure that its revenue is sufficient to support adequate and reliable service. In the alternative, North Nelson 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

---

<sup>4</sup> See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019) (Final Order).

<sup>5</sup> Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019) (Final Order).

<sup>6</sup> *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2020* at 21.

<sup>7</sup> *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2021* at 21.

<sup>8</sup> *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2015* at 54.

<sup>9</sup> *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2021* at 54.

<sup>10</sup> 264,054,000 gallons sold in 2015 less 260,187,000 gallons sold in 2021 equals a 3,867,000-gallon reduction or 1.5 percent.

necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve North Nelson District from this requirement.

### FINDINGS

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

1. North Nelson District purchases water from Louisville Water Company (Louisville Water) and the city of Bardstown (Bardstown).

2. Louisville Water notified North Nelson District that its wholesale volumetric rate would increase from \$2.46 per 1,000 gallons to \$2.55 per 1,000 gallons, and the meter service charge would decrease from \$1,244.34 to \$500.80 per month, effective July 1, 2022. Bardstown notified North Nelson District that its wholesale rate would increase from \$2.56 per 1,000 gallons to \$2.64 per 1,000 gallons, effective July 1, 2022. North Nelson District proposes to increase the water rates to its customers effective July 1, 2022, to reflect the increased cost of purchased water from Bardstown and Louisville Water.

3. North Nelson District proposed a purchased water adjustment factor of \$0.07 per 1,000 gallons in its application.

4. During the 12 months ended April 30, 2022, North Nelson District purchased 203,439,000 gallons of water from Louisville Water and 79,971,000 gallons of water from Bardstown. During the same period, North Nelson District sold 260,684,800 gallons of water. The increase in the cost of purchased water is \$15,784.71, resulting in a purchased water adjustment factor of \$0.07 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.07 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 increase in rates from North Nelson District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

6. North Nelson District's proposed rates are approved.

7. The rates as set forth in Appendix B to this Order are fair, just and reasonable and shall be approved for water service rendered by North Nelson District on and after July 1, 2022, because the rates are supported by evidence of the increase in rates from North Nelson District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

8. North Nelson 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 within one year of the date of this Order.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.07 per 1,000 gallons is approved.

2. The rates proposed by North Nelson District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North Nelson District on and after July 1, 2022.

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

5. North Nelson 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 within one year of the date of this Order. Any filing for a rate adjustment filed under KRS 278.023 does not relieve North Nelson District from this requirement.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Vice Chairman

\_\_\_\_\_  
Commissioner



ATTEST:

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

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00146 DATED JUN 24 2022

	Base Rate	New Rate	Change
<u>Louisville Water</u>			
Purchases in Gallons	203,439,000	203,439,000	
Rate per 1,000 Gallons	<u>\$ 2.46/1000</u>	<u>\$ 2.55/1000</u>	
Sub-total	\$500,459.94	\$518,769.45	\$18,309.51
Months	12	12	
Monthly Service Charge	<u>\$1,244.34</u>	<u>\$ 500.80</u>	
Sub-total	\$14,932.08	\$ 6,009.60	\$(8,922.48)
<u>Bardstown</u>			
Purchases in Gallons	79,971,000	79,971,000	
Rate per 1,000 Gallons	<u>\$2.56/1000</u>	<u>\$2.64/1000</u>	
Sub-total	\$ 204,725.76	\$211,123.44	\$6,397.68
Total	\$720,117.78	\$735,902.49	\$15,784.71

Increased water cost	\$ 15,784.71
Increased water cost	\$ 15,784.71
Divided by Gallons sold/1,000	<u>260,684,800</u>
Purchased water adjustment factor	\$ 0.0606 per 1,000 Gallons

or \$ 0.07 per 1,000 Gallons



APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00146 DATED JUN 24 2022

The following rates and charges are prescribed for the customers in the area served by North Nelson Water District. 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 Water Rates

First	2,000 Gallons	\$15.85 Minimum Bill
Next	3,000 Gallons	0.00475 Per Gallon
Next	5,000 Gallons	0.00423 Per Gallon
Over	10,000 Gallons	0.00388 Per Gallon
Truck Loading Stations		\$ 0.00756 Per Gallon

\*North Nelson Water District  
5555 Louisville Road  
P. O. Box 25  
Cox's Creek, KY 40013

\*Colin Cissell  
General Manager  
North Nelson Water District  
5555 Louisville Road  
P. O. Box 25  
Cox's Creek, KY 40013