

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NORTH SHELBY)	2023-00205
WATER COMPANY)	

ORDER

On June 20, 2023, North Shelby Water Company (North Shelby Water) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068.

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water association increases its rates, the water association has the authority to increase its rate commensurate with the wholesale supplier. The water association 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 AND FINDINGS

North Shelby Water purchases water from Louisville Water Company (Louisville Water), Shelbyville Municipal Water and Sewer Commission (Shelbyville), Frankfort Electric and Water Plant Board (Frankfort), and, on an emergency basis only, West Shelby Water District (West Shelby District). Louisville Water notified North Shelby Water that effective July 1, 2023, its wholesale rate would increase from \$2.55 per 1,000 gallons

to \$2.63 per 1,000 gallons, and its monthly service charges would increase.¹ Louisville Water specifically stated that the monthly charges would increase from \$87.64 to \$87.92 for a 3-inch meter; from \$150.24 to \$150.72 for a 4-inch meter; and from \$350.56 to \$351.68 for a 6-inch meter. Shelbyville notified North Shelby Water that its wholesale rate would increase from \$2.35 per 1,000 gallons to \$2.41 per 1,000 gallons, effective July 19, 2023.² Frankfort and West Shelby District did not propose any rate changes. North Shelby Water proposes to increase the water rates to its customers effective July 19, 2023, to reflect the increased cost of purchased water from Louisville Water and Shelbyville.

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 2022 Annual Report filed with the Commission, North Shelby Water reported a water loss of 14.45 percent.³ North Shelby Water's application provides updated purchase and sales information for the period of June 2022 through May 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, North Shelby Water's unaccounted-for

¹ TFS2023-00169 (Ky. PSC June 19, 2023); Louisville Water submitted the tariff on March 30, 2023, and the tariff was accepted for filing by the Commission by letter dated June 19, 2023, with an effective date of July 1, 2023.

² TFS 2023-00219 (Ky. PSC June 26, 2023); Shelbyville submitted the tariff on April 26, 2023, and the tariff was accepted for filing by the Commission by letter dated June 26, 2023, with an effective date of July 19, 2023.

³ *Annual Report of North Shelby Water to the Public Service Commission for the Year Ended December 31, 2022* at 57.

water loss is 16.6575 percent for the updated period.⁴ Reduction of North Shelby Water’s unaccounted-for water loss to 15 percent would result in an approximate \$24,487.77 decrease to purchased water expense.⁵ Potentially, North Shelby Water is paying approximately \$0.05 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁶ The cost of North Shelby Water’s total water loss is \$246,096.51.⁷

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

Based on a review of Commission records, North Shelby Water submitted an application seeking a rate adjustment on September 27, 2022, in Case No. 2022-00317.⁸

4 Total Purchases (application PWA Form 1 at 2)	564,960,350
Less Total Sales (application PWA Form 1 at 2)	455,505,000
Less Plant Use (% determined from 2022 Annual Report)	15,347,148
Water Loss – Gallons	94,108,202
Water Loss – Percent	16.6575%

⁵ Water loss above 15% is 1.6575%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$1,477,391.62 times water loss above 15%) equals \$24,487.77.

⁶ Potential purchased water expense reduction divided by sales (\$24,487.77/ (455,505,000/1,000)) equals \$0.05 per 1,000 gallons.

⁷ Total water cost at new wholesale rate of \$1,477,391.62 times 16.6575% water loss equals \$246,096.51.

⁸ Case No. 2022-00317, *Electronic Application of North Shelby Water Company for a Rate Adjustment Pursuant to 807 KAR 5:076*, (filed Sept. 27, 2022). North Shelby District tendered its application on September 14, 2022. By letter dated September 19, 2022, the Commission rejected the application for

The Commission entered an Order to North Shelby Water on April 6, 2023, to provide notice of the proposed rate increase to its customers and proof of the publication of the notice in the rate adjustment case.⁹ On April 13, 2023, North Shelby Water filed a copy of its customer notice and a document titled “Proof,” which only listed one date, April 16, 2023, and did not provide an affidavit or proof that the public notice ran for three consecutive weeks, as required by 807 KAR 5:076, Section 5(2)(b)(3). On June 15, 2023, the Commission found the April 13, 2023 filing deficient, and Ordered North Shelby Water to provide proof of the publication of the notice in a newspaper of general circulation in its territory once per week for three consecutive weeks, by July 15, 2023.¹⁰ North Shelby Water filed proof of publication on July 14, 2023, and filed supplemental proof of publication on July 17, 2023.

Purchased Water Adjustment Factor

In its application, North Shelby Water proposed a purchased water adjustment factor of \$0.09 per 1,000 gallons. During the 12 months ended May 31, 2023, North Shelby Water purchased 352,159,000 gallons of water from Louisville Water, 140,411,500 gallons of water from Shelbyville and 72,389,850 gallons of water from Frankfort and sold 455,505,000 gallons of water to its customers. The increase in the cost of purchased water from Louisville and Shelbyville is \$36,620.45, resulting in a

filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on September 27, 2022.

⁹ Case No. 2022-00317, *Electronic Application of North Shelby Water Company for a Rate Adjustment Pursuant to 807 KAR 5:076*, (Ky. PSC Apr. 6, 2023).

¹⁰ Case No. 2022-00317, *Electronic Application of North Shelby Water Company for a Rate Adjustment Pursuant to 807 KAR 5:076*, (Ky. PSC June 15, 2023).

purchased water adjustment factor of \$0.09 per 1,000 gallons. No rate changes occurred from Frankfort or West Shelby District.

The purchased water adjustment factor of \$0.09 per 1,000 gallons, as calculated in Appendix A is fair, just and reasonable and should be approved for water service rendered by North Shelby Water on and after July 19, 2023. The purchased water adjustment factor is supported by evidence of the increase in rates from North Shelby Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

However, in its application, North Shelby Water provided a customer notice¹¹ showing columns with existing rates and proposed rates for each meter size and tier level. The notice contained a scrivener error in the "Proposed Rates" column for the 1-inch meter, Next 5,000 gallons, listing the proposed rate as \$0.00672 per gallon instead of the correct \$0.00652 per gallon. North Shelby Water provided a proposed tariff¹² which contained the same error as described above.

While North Shelby Water calculated its purchased water adjustment factor correctly, the Proposed Rates as discussed above are incorrect; therefore, the Commission finds that the rates proposed by North Shelby Water should be denied. More specifically, the Commission finds that the rates set forth in Appendix B, which were calculated by applying the purchased water adjustment to the correct rates, are fair, just and reasonable and should be approved for water service rendered by North Shelby

¹¹ Application, Exhibit F.

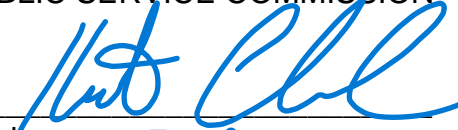
¹² Application, Exhibit G.

Water on and after July 19, 2023. The Commission also reminds North Shelby Water that it must provide notice showing the correct rates pursuant to KRS 278.012 and 807 KAR 5:068, Section 5.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.09 per 1,000 gallons is approved.
2. The rates proposed by North Shelby Water are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North Shelby Water on and after July 19, 2023.
4. Within 20 days of the date of service of this Order, North Shelby Water 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


Vice Chairman


Commissioner

ENTERED
JUL 20 2023
rCS
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00205 DATED JUL 20 2023

	Base Rate	New Rate	Change
<u>Louisville Water</u>			
Purchases in Gallons	352,159,000	352,159,000	
Rate per 1,000 Gallons	<u>\$ 2.55/1,000</u>	<u>\$ 2.63/1,000</u>	
Subtotal	\$898,005.45	\$926,178.17	\$ 28,172.72
<u>Months</u>			
	12	12	
4-inch meter monthly charge	\$ 150.24	\$ 150.72	
Number of meters	<u>4</u>	<u>4</u>	
Subtotal	\$ 7,211.52	\$ 7,234.56	\$ 23.04
<u>Shelbyville</u>			
Purchases in Gallons	140,411,500	140,411,500	
Rate per 1,000 Gallons	<u>\$2.35/1,000</u>	<u>\$2.41/1,000</u>	
Subtotal	\$ 342,604.06	\$351,028.75	\$ 8,424.69
<u>Frankfort Plant Board</u>			
Purchases in Gallons	72,389,850	72,389,850	
Rate per 1,000 Gallons	<u>\$2.84/1,000</u>	<u>\$2.84/1,000</u>	no change
Subtotal	\$ 205,587.17	\$ 205,587.17	
Total	\$1,453,408.20	\$1,490,028.65	\$ 36,620.45
Increased water cost		\$ 36,620.45	
Increased water cost		\$ 36,620.45	
Divided by Gallons sold/1,000		<u>455,505,000</u>	
Purchased water adjustment factor		\$ 0.0804 per 1,000 Gallons	
		or \$ 0.00009 per Gallon	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00205 DATED JUL 20 2023

The following rates and charges are prescribed for the customers in the area served by North Shelby Water Company. 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

5/8- X 3/4-Inch Meter

First	2,000 Gallons	\$23.20	Minimum Bill
Next	3,000 Gallons	0.00790	Per Gallon
Next	5,000 Gallons	0.00652	Per Gallon
Next	40,000 Gallons	0.00583	Per Gallon
Over	50,000 Gallons	0.00515	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$46.90	Minimum Bill
Next	5,000 Gallons	0.00652	Per Gallon
Next	40,000 Gallons	0.00583	Per Gallon
Over	50,000 Gallons	0.00515	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$79.50	Minimum Bill
Next	40,000 Gallons	0.00583	Per Gallon
Over	50,000 Gallons	0.00515	Per Gallon

2-Inch Meter

First	15,000 Gallons	\$108.65	Minimum Bill
Next	35,000 Gallons	0.00583	Per Gallon
Over	50,000 Gallons	0.00515	Per Gallon

3-Inch Meter

First	35,000 Gallons	\$225.25	Minimum Bill
Next	15,000 Gallons	0.00583	Per Gallon
Over	50,000 Gallons	0.00515	Per Gallon

*James L Mudd Jr.
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, KENTUCKY 40342

*North Shelby Water Company
4596 Bagdad Road
P. O. Box 97
Bagdad, KY 40003