

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF LAKE VILLAGE)	2023-00251
WATER ASSOCIATION, INC.)	

ORDER

On July 28, 2023, Lake Village Water Association, Inc. (Lake Village Water) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068. On July 28, 2023, the Commission notified Lake Village Water that its application was rejected for certain filing deficiencies. On August 7, 2023, Lake Village Water submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of August 7, 2023. On August 10, 2023, Lake Village Water submitted additional documentation into the case file.

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

Lake Village Water purchases water from the city of Harrodsburg (Harrodsburg) and the city of Danville (Danville). Harrodsburg notified Lake Village Water that its wholesale rate would increase, effective October 31, 2022.¹ By Order issued October 25, 2022, in Case No. 2022-00349,² the Commission suspended Harrodsburg's proposed tariff for five months, up to and including March 30, 2023, to investigate the reasonableness of the proposed rate adjustment.

On December 21, 2022, Harrodsburg filed a motion to incorporate its expenses from Case No. 2022-00349 into an additional rate case expense wholesale surcharge for a period of 36-months.³ The Commission granted Harrodsburg's motion and found that, in proposing the surcharge, Harrodsburg effectively made a motion to amend its tariff filing and had filed a revised tariff sheet with an effective date of January 21, 2023.⁴ As a result, the Commission issued an Order on January 20, 2023, that suspended the amended proposed tariff revision for five months, up to and including May 21, 2023.⁵ On May 16, 2023, the Commission issued an Order approving Harrodsburg's wholesale rate case expense surcharge for 36-months, effective on May 16, 2023.⁶

¹ TFS2023-00258 (Ky. PSC June 5, 2023); Harrodsburg submitted the tariff on May 25, 2023, and the tariff was accepted for filing by the Commission by letter dated June 5, 2023, with an effective date of May 16, 2023.

² See Case No. 2022-00349, *Electronic Tariff Filing of the City of Harrodsburg Water Dept. Revising Its Wholesale Water Service Rates* (Ky. PSC Oct. 25, 2022).

³ Case No. 2022-00349, (filed Dec. 21, 2022) Motion to Accept the Filing of the Proposed Tariff on Rate Case Surcharge and Incorporate into this Case Record.

⁴ Case No. 2022-00349, Jan. 20, 2023 Order.

⁵ Case No. 2022-00349, Jan. 20, 2023 Order at 3.

⁶ Case No. 2022-00349, May 16, 2023 final Order.

Lake Village Water has proposed to increase the water rates to its customers effective October 4, 2023, to reflect the increased cost of purchased water from Harrodsburg.

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 2021 Annual Report filed with the Commission, Lake Village Water reported a water loss of 19.3284 percent.⁷ Lake Village Water's application provides updated purchase and sales information for the period of July 2022 through June 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2021 Annual Report, Lake Village Water's unaccounted-for water loss is 24.90 percent for the updated period.⁸ Reduction of Lake Village Water's unaccounted-for water loss to 15 percent would result in an approximate \$55,812.00 decrease to purchased water expense.⁹ Potentially, Lake Village Water is paying approximately \$0.35 per 1,000 gallons sold for expenses associated with unaccounted-

⁷ *Annual Report of Lake Village Water to the Public Service Commission for the Year Ended December 31, 2021 at 57.*

⁸ Total Purchases (application PWA Form 1 at 2)	217,094,372
Less Total Sales (application PWA Form 1 at 2)	159,469,700
Less Plant Use (% determined from 2021 Annual Report)	3,558,611
Water Loss – Gallons	54,066,061
Water Loss – Percent	24.90%

⁹ Water loss above 15% is 9.90%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$563,757.62 times water loss above 15%) equals \$55,812.00.

for water loss in excess of the 15 percent threshold.¹⁰ The cost of Lake Village Water's total water loss is \$140,375.65.¹¹

In Case No. 2022-00068, the Commission ordered Lake Village Water to implement a water loss reduction surcharge.¹² In order to address Lake Village Water's excessive unaccounted-for water loss, the Commission ordered Lake Village Water to assess a monthly water loss reduction surcharge of \$1.61 per active meter for 48 months, or until \$171,220 has been assessed, whichever occurs first, and that a review of the necessity to continue the surcharge beyond the 48-month period be conducted before its expiration.¹³ The Commission initiated Case No. 2022-00325 for the purpose of monitoring Lake Village Water's unaccounted-for water loss reduction plan surcharge, which was approved in Case No. 2022-00068.¹⁴ Lake Village Water was ordered to file with the Commission a qualified infrastructure improvement plan, including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge, within 120 days of the date of service of the 2022-00325 opening Order..¹⁵ Lake Village filed its qualified infrastructure

¹⁰ Potential purchased water expense reduction divided by sales (\$55,812.00/ (159,469,700/1,000)) equals \$0.35 per 1,000 gallons.

¹¹ Total water cost at new wholesale rate of \$563,757.62 times 24.90% water loss equals \$140,375.65.

¹² Case No. 2022-00068, *Electronic Application of Lake Village Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 4, 2022).

¹³ Case No. 2022-00068, Oct. 4, 2022 final Order.

¹⁴ Case No. 2022-00325, *Electronic Lake Village Water Association, Inc. Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Oct. 4, 2022), opening Order.

¹⁵ Case No. 2022-00325, Oct. 4, 2022 opening Order.

plan in Case No. 2022-00325 on January 30, 2023. Monthly filings have been made by Lake Village Water in that monitoring case as well.

Financial Condition and Rates

Based on a review of Commission records, Lake Village Water last sought a general base rate adjustment in 2022.¹⁶ In Lake Village Water's recent rate case, an increase in required revenue of \$172,178 or 11.71 percent was established and a monthly water loss reduction surcharge of \$1.61 per customer for 48 months was implemented. The October 4, 2022 Order applied the rate increase in two phases, with Phase 1 rates, including the surcharge, increasing the average customer bill by 9.21 percent. Phase 2 rates, which will become effective on October 4, 2023, will increase the average customer bill by an additional 5.35 percent. Commission Staff recommends that Lake Village Water regularly evaluate its financial performance to determine whether the full year impact of the Phase 1 increase and the pending Phase 2 increase are sufficient to support its operations.

Purchased Water Adjustment Factor

In its application, Lake Village Water proposed a purchased water adjustment factor of \$0.15 per 1,000 gallons. During the 12 months ended June 30, 2023, Lake Village Water purchased 86,819,200 gallons of water from Harrodsburg¹⁷ and 130,275,172 gallons of water from Danville and sold 159,469,700 gallons of water to its customers. The increase in the cost of purchased water from Harrodsburg is

¹⁶ See Case No. 2022-00068, Oct. 4, 2022 Order.

¹⁷ See Appendix A – Harrodsburg Rate Table for conversion of cubic feet purchases into gallons.

\$22,816.21,¹⁸ resulting in a purchased water adjustment factor of \$0.15 per 1,000 gallons. No rate changes occurred from Danville.


The purchased water adjustment factor of \$0.15 per 1,000 gallons, as calculated in Appendix A and the rates as set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Lake Village Water on and after October 4, 2023, because the rates are supported by evidence of the increase in rates from Lake Village Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.15 per 1,000 gallons is approved.
2. The rates proposed by Lake Village Water are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Lake Village Water on and after October 4, 2023.
4. Within 20 days of the date of service of this Order, Lake Village 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.

¹⁸ Application, Additional Information-PWA calculations, (filed Aug. 10, 2023).


PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner

ENTERED
AUG 28 2023 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00251 DATED AUG 28 2023

	Base Rate	New Rate	Increase
<u>Danville</u>			
Purchases	130,275,172	130,275,172	
Wholesale rate	<u>\$ 2.41/1000</u>	<u>\$ 2.41/1000</u>	
	\$313,963.16	\$313,963.16	NO CHANGE

<u>Harrodsburg</u>			
Purchases	86,819,200	86,819,200	
Wholesale rates	<u>see table below</u>	<u>see table below</u>	
	\$ 226,978.25	\$ 249,794.46	\$ 22,816.21

Increased water cost \$ 22,816.21

Increased water cost \$22,816.21
 Divided by Gallons sold/1,000 159,469,700
 Purchased water adjustment factor \$ 0.1431 per 1,000 Gallons

or \$ 0.00015 per Gallon

Harrodsburg Rate Table

	Current Harrodsburg Rate		Proposed Harrodsburg Rate		Cost of 1st 448,800 Gallons			
	Cubic Feet	Gallons	Cubic Feet	Per 1,000 Gallons	Cubic Feet	Per 1,000 Gallons	Current Rates	Proposed Rates
1st	250	1,870	\$11.84	\$15.83	\$13.12	\$17.54	\$29.60	\$32.80
Next	750	5,610	4.50	6.02	4.98	6.66	33.77	37.35
Next	3,000	22,440	3.91	5.23	4.32	5.78	117.36	129.60
Next	6,000	44,880	3.32	4.44	3.67	4.91	199.27	220.20
Next	25,000	187,000	2.83	3.78	3.13	4.18	706.86	782.50
Next	25,000	187,000	2.36	3.16	2.61	3.49	590.92	652.50
Over	60,000	448,800	1.90	2.54	2.09	2.79		
Subtotal Cost for 1st 448,800 Gallons							\$1,677.78	\$1,854.95
Subtotal Cost for 12 months of 1st 448,800 Gallons							\$20,133.39	\$22,259.40

	Total Gallons Purchased from Harrodsburg		Less the 1st 448,800 Gallons	Current Rates	Proposed Rates
Jul-22	8,247,530	(448,800)	7,798,730	\$19,809.61	\$21,790.57
Aug-22	6,296,597	(448,800)	5,847,797	\$14,854.03	\$16,339.43
Sep-22	6,852,884	(448,800)	6,404,084	\$16,267.06	\$17,893.76
Oct-22	5,935,881	(448,800)	5,487,081	\$13,937.77	\$15,331.55
Nov-22	8,596,412	(448,800)	8,147,612	\$20,695.01	\$22,765.39
Dec-22	9,440,889	(448,800)	8,992,089	\$22,839.79	\$25,124.95
Jan-23	5,667,035	(448,800)	5,218,235	\$13,254.32	\$14,580.36
Feb-23	8,173,015	(448,800)	7,724,215	\$19,620.33	\$21,582.37
Mar-23	6,622,852	(448,800)	6,174,052	\$15,682.09	\$17,251.03
Apr-23	6,673,708	(448,800)	6,224,908	\$15,811.27	\$17,393.13
May-23	7,099,261	(448,800)	6,650,461	\$16,892.17	\$18,582.17
Jun-23	<u>7,213,136</u>	(448,800)	<u>6,764,336</u>	<u>\$17,181.41</u>	<u>\$18,900.35</u>
Subtotal Cost for Gallons Over 448,800				\$206,844.86	\$227,535.06
Subtotal Cost for 12 months of 1st 448,800 Gallons				\$20,133.39	\$22,259.40
TOTAL COST of Purchased Water from Harrodsburg				<u>\$226,978.25</u>	<u>\$249,794.46</u>

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00251 DATED AUG 28 2023

The following rates and charges are prescribed for the customers in the area served by Lake Village Water Association, Inc. 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 (effective October 4, 2023)

5/8- x 3/4-Inch Meter

First	2,000	Gallons	\$ 30.15	Minimum Bill
Next	18,000	Gallons	\$ 0.01177	Per Gallon
Over	20,000	Gallons	\$ 0.00953	Per Gallon

Wholesale Rates

North Point Training Center	\$ 0.00465	Per Gallon
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Water Loss Reduction Surcharge \$1.61 per month
*48-month limitation or until approximately \$171,220 is collected

*Lake Village Water Association, Inc.
801 Pleasant Hill Drive
P. O. Box 303
Burgin, KY 40310

*Mike D Sanford
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