

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF NORTH MERCER	)	2023-00268
WATER DISTRICT	)	

ORDER

On August 8, 2023, North Mercer Water District (North Mercer 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. On August 9, 2023, the Commission notified North Mercer District that its application was rejected for certain deficiencies. On August 17, 2023, North Mercer District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of August 17, 2023.

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, within the statutory and regulatory deadlines, 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 Mercer District purchases water from the city of Harrodsburg (Harrodsburg) and South Anderson Water District (South Anderson District). Harrodsburg notified North Mercer District that its wholesale rate would increase pursuant to two Commission Orders. The first increase, effective May 16, 2023, was approved in Case No. 2022-00349.<sup>1</sup> The second increase, effective August 2, 2023, was approved in Case No. 2023-00206.<sup>2</sup> North Mercer District proposed to increase the water rates to its customers effective September 8, 2023, to reflect the increased cost of purchased water from Harrodsburg pursuant to the Commission's Order in Case No. 2022-00349 and to reflect the increased cost of purchased water from Harrodsburg pursuant to the Commission's Order in Case No. 2023-00206. South Anderson District did not propose any rate adjustments.

### 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 North Mercer Water District Annual Report filed with the Commission, North Mercer District reported a water loss of 18.9082 percent.<sup>3</sup> North Mercer District's application provides updated purchase and sales information for the period of July 2022

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<sup>1</sup> Case No. 2022-00349, *Electronic Tariff Filing of the City of Harrodsburg Water Dept. Revising Its Wholesale Water Service Rates* (Ky. PSC May 16, 2023).

<sup>2</sup> Case No. 2023-00206, *Electronic Tariff Filing of Harrodsburg Water Dept. Revising Its Wholesale Water Service Rates* (Ky. PSC Aug. 2, 2023).

<sup>3</sup> *Annual Report of North Mercer District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

through June 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its North Mercer Water District Annual Report, North Mercer District's unaccounted-for water loss is 13.3679 percent for the updated period.<sup>4</sup> The cost of North Mercer District's total water loss is \$123,674.68.<sup>5</sup>

Financial Condition and Rates

Based on a review of Commission records, North Mercer District was ordered in Case No. 2021-00317<sup>6</sup> to file for an adjustment in base rates or file for an alternative rate filing within one year of the October 6, 2021, final Order. On October 27, 2022, North Mercer District filed a request for an extension for its case until October 30, 2023. The Commission issued an order on November 7, 2022, denying North Mercer District's request and required the District to file its rate case as soon as possible. North Mercer District submitted an application for an alternative rate filing on June 12, 2023.<sup>7</sup> On June 28, 2023, the Commission notified North Mercer District that its application was deficient for not using the immediate past annual report for its application, per 807 KRS 5:076,

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<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	305,324,712
Less Total Sales (application PWA Form 1 at 2)	256,504,000
Less Plant Use (% determined from 2022 Annual Report)	8,005,309
Water Loss – Gallons	40,815,403
Water Loss – Percent	13.3679%

<sup>5</sup> Total water cost at new wholesale rate of \$925,161.61 x 13.3679% water loss = \$123,674.68.

<sup>6</sup> Case No. 2021-00317, *Electronic Application of North Mercer Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Oct. 6, 2021).

<sup>7</sup> Case No. 2023-00185, *Electronic Application of North Mercer Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2023), Deficiency Letter.

Section 3(1).<sup>8</sup> On July 20, 2023, North Mercer District requested a deviation from the regulation to use the 2021 data in its case.<sup>9</sup>

#### Purchased Water Adjustment Factor

In its application, North Mercer District proposed a purchased water adjustment factor of \$0.51 per 1,000 gallons. During the 12 months ended June 30, 2023, North Mercer District purchased 272,541,512 gallons of water from Harrodsburg and 32,783,200 gallons of water from South Anderson District and sold 256,504,000 gallons of water to its customers. North Mercer District calculated the increase in the cost of purchased water from Harrodsburg at \$130,500.50,<sup>10</sup> resulting in a purchased water adjustment factor of \$0.51 per 1,000 gallons. In its response to cure the application deficiency, North Mercer District provided additional detailed information about the gallons purchased from Harrodsburg and South Anderson District.<sup>11</sup> The Commission used the information to calculate an increase in the cost of North Mercer District's purchased water of \$121,117.90, resulting in a purchase water adjustment factor of \$0.48 per 1,000 gallons, as shown in Appendix A. No rate changes occurred from South Anderson District.

The purchased water adjustment factor of \$0.48 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 North Mercer District on and after September 8, 2023, because the rates are supported by evidence of the

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<sup>8</sup> Case No. 2023-00185, (Ky. PSC June 28, 2023), Deficiency Letter.

<sup>9</sup> Case No. 2023-00185, (filed July 20, 2023), North District's Response to Filing Deficiency Letter.

<sup>10</sup> Application at 2.

<sup>11</sup> North Mercer District's Response to the Filing Deficiency, (filed Aug. 17, 2023).

increase in rates from North Mercer District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278. 015.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.48 per 1,000 gallons is approved.
2. The rates proposed by North Mercer District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North Mercer District on and after September 8, 2023.
4. Within 20 days of the date of service of this Order, North Mercer 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

  
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Chairman

  
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Vice Chairman

  
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Commissioner



ATTEST:

  
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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2023-00268 DATED SEP 15 2023

	Base Rate	New Rate	Increase
<u>South Anderson District</u>			
Purchases (1 <sup>st</sup> 3,000,000)	3,000,000	3,000,000	
Wholesale rate	<u>\$ 3.6703/1000</u>	<u>\$ 3.6703/1000</u>	
	\$313,963.16	\$313,963.16	NO CHANGE
Purchases	29,783,200	29,783,200	
Wholesale rate	<u>\$ 3.167/1000</u>	<u>\$ 3.167/1000</u>	
	\$313,963.16	\$313,963.16	NO CHANGE
<u>Harrodsburg</u>			
Purchases	272,541,512	272,541,512	
Wholesale rates	<u>see table below</u>	<u>see table below</u>	
	\$ 698,709.41	\$ 819,827.32	\$ 121,117.90
Increased water cost			\$ 121,117.90
Increased water cost		\$121,117.90	
Divided by Gallons sold/1,000		<u>256,504,000</u>	
Purchased water adjustment factor		\$0.4722 per 1,000 Gallons	
		or \$ 0.00048 per Gallon	

## Harrodsburg Rate Table

	Current Harrodsburg Rate				Proposed Harrodsburg Rate		Current Rates	Proposed Rates
	Cubic Feet	Annual Gallons	Cubic Feet	Per 1,000 Gallons	Cubic Feet	Per 1,000 Gallons		
1st	250	22,440	\$11.84	\$15.83	\$13.97	\$18.68	\$355.23	\$419.18
Next	750	67,320	4.50	6.02	5.3	7.09	405.27	477.30
Next	3,000	269,280	3.91	5.23	4.6	6.15	1,408.33	1,656.07
Next	6,000	538,560	3.32	4.44	3.91	5.23	2,391.21	2,816.67
Next	25,000	2,244,000	2.83	3.78	3.33	4.45	8,482.32	9,985.80
Next	25,000	2,244,000	2.36	3.16	2.78	3.72	7,091.04	8,347.68
Over	60,000	267,155,912	1.90	2.54	2.23	2.98	678,576.02	796,124.62
TOTAL ANNUAL COST							\$698,709.41	\$819,827.32



APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2023-00268 DATED SEP 15 2023

The following rates and charges are prescribed for the customers in the area served by North Mercer 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	1,000	Gallons	\$20.48	Minimum Bill
Over	1,000	Gallons	0.00988	Per Gallon

1-Inch Meter

First	2,500	Gallons	\$36.70	Minimum Bill
Over	2,500	Gallons	0.00988	Per Gallon

2-Inch Meter

First	10,000	Gallons	\$109.80	Minimum Bill
Over	10,000	Gallons	0.00988	Per Gallon

Bulk Rates

\$ 0.00673	Per Gallon
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Bowling Green, KENTUCKY 42102-1424

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