

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT OF HARDIN COUNTY WATER)	2023-00315
DISTRICT NO. 1)	

ORDER

On September 29, 2023, Hardin County Water District #1 (Hardin District #1) 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, 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

Hardin District #1 purchases water from Louisville Water Company (Louisville Water), Hardin County Water District #2 (Hardin District #2) and U. S. Treasury Garrison Resource Management at Fort Knox, Kentucky (Fort Knox). Louisville Water notified Hardin District #1 that its wholesale rate would increase from \$2.55 per 1,000 gallons to

\$2.63 per 1,000 gallons, and that the monthly charges would increase from \$150.24 to \$150.72 for a 4-inch meter, effective July 1, 2023.¹ Hardin District #2 and Fort Knox did not propose any rate changes. Hardin District #1 proposes to increase the water rates to its customers effective October 1, 2023, to reflect the increased cost of purchased water from Louisville Water.

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, Hardin District #1 reported a water loss of 5.0326 percent.² Hardin District #1's application provides updated purchase and sales information for the period of August 2022 through July 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, Hardin District #1's unaccounted-for water loss is 4.534 percent for the updated period.³ The cost of Hardin District #1's total water loss is approximately \$64,126.20.⁴

¹ TFS 2023-00166 (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 *Annual Report of Hardin District #1 to the Public Service Commission for the Year Ended December 31, 2022* at 57.

³ Total Purchased and produced (application PWA Form 1 at 2)	1,412,395,000
Less Total Sales (application PWA Form 1 at 2)	1,318,535,300
Less Plant Use (% determined from 2022 Annual Report)	29,822,720
Water Loss – Gallons	64,036,980
Water Loss – Percent	4.534%

⁴ Total water cost at new wholesale rate of \$1,414,372 times 4.534% water loss equals \$64,126.20.

Financial Condition and Rates

Hardin District #1 has not sought a general base rate adjustment since 2007 in Case No. 2006-00410.⁵ Hardin District #1's only rate increases since the 2007 rate case have occurred as a condition for federal financing of a construction project in accordance with KRS 278.023, and purchased water adjustments in response to supplier rate increases. 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. Hardin District #1's income was relatively stable during 2018, 2019, and 2021 with 2020 being negative due to non-recurring expenditures, and 2022 marginally negative. 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.⁶ 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.⁷ Hardin District #1 is encouraged to regularly evaluate its financial performance and apply for a general rate case if a rate increase is deemed necessary.

On May 31, 2023, Hardin District #1 filed a joint application with the city of West Point, Kentucky (West Point System) for approval to transfer ownership of West Point

⁵ Case No. 2006-00410, *The Application of Hardin County Water District No. 1 for a General Rate Adjustment Effective On and After December 2, 2006* (Ky. PSC Aug. 2, 2007).

⁶ See Case No. 2019-00041, *Investigation Into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

⁷ See Case No. 2019-00041, Nov. 22, 2019 final Order.

System's water and wastewater facilities, assets and accounts to Hardin District #1.⁸ The acquisition of West Point System by Hardin District #1 was approved by the Commission on September 20, 2023.⁹ The acquired customers will incur an estimated monthly increase of \$0.06 per billing cycle for water service and a decrease of \$3.36 in monthly wastewater service.

Purchased Water Adjustment Factor

In its application, Hardin District #1 proposed a purchased water adjustment factor of \$0.04 per 1,000 gallons. Hardin District #1 included in its calculations¹⁰ the electricity costs associated with pumping the intake water from the supplier, Louisville Water, into Hardin District's distribution system. As reference for the inclusion, Hardin District #1's application cited two prior cases¹¹ in which the Commission approved the inclusion of the increased electric costs of pumping the intake water into the purchased water adjustment calculation.¹² In the prior cases which addressed purchase agreements with Fort Knox, Fort Knox runs and supplies the electricity to the pump station and invoices Hardin District #1 for the electric costs of pumping water as part of the purchased water agreement. For this case, Hardin District #1 maintains all operating costs of the pumping station connected to the Louisville water system. As such, Hardin District #1's electric costs to

⁸ Case No. 2023-00143, *Electronic Application of Hardin County Water District No. 1 for Transfer and Acquisition* (filed May 31, 2023).

⁹ Case No. 2023-00143, *Electronic Application of Hardin County Water District No. 1 for Transfer and Acquisition* (Ky. PSC Sept. 20, 2023), final Order.

¹⁰ Application, PWA_Cover_Letter.pdf, unnumbered paragraph 3.

¹¹ Case No. 2011-00461, *Purchased Water Adjustment Filing of Hardin County Water District No. 1* (Ky. PSC Apr. 26, 2012), Order; Case No. 2012-00151, *Purchased Water Adjustment Filing of Hardin County Water District No. 1* (Ky. PSC May 17, 2012), final Order.

¹² Application, PWA_Cover_Letter.pdf, unnumbered paragraph 3.

pump the water purchased from Louisville Water is paid by Hardin District #1 to its electric provider. Thus, although there is an electric cost associated with providing water purchased from Louisville Water to Hardin District #1's customers, those costs are calculated within Hardin District #1's base rates and should not be included in the purchased water adjustment factor.


During the 12 months ended July 31, 2023, Hardin District #1 purchased 217,616,000 gallons of water from Louisville Water, 347,176,000 gallons of water from Hardin District #2, and 293,000 gallons of water from Fort Knox. Hardin District #1 sold 1,318,535,300 gallons of water to its customers during the same 12-month period. The increase in the cost of purchased water from Louisville Water is \$17,426.56, resulting in a purchased water adjustment factor of \$0.02 per 1,000 gallons. No wholesale rate changes occurred from Hardin District #2 or Fort Knox.

The purchased water adjustment factor of \$0.02 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 Hardin District #1 on and after October 1, 2023, because the rates are supported by evidence of the increase in rates from Hardin District #1's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278. 015. Since the Commission-approved rates differ from the rates Hardin District #1 provided customer in its notice, Hardin District #1 should provide notice to its customers of the Commission-approved rates no later than the issuance of the first bill at the increased rate.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.02 per 1,000 gallons is approved.
2. The rates proposed by Hardin District #1 are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Hardin District #1 on and after October 1, 2023.
4. Within 20 days of the date of service of this Order, Hardin District #1 shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. Hardin District #1 shall give an updated notice to its customers of the rates approved in this Order no later than the issuance of the first bill at the increased rate.
6. This case is closed and removed from the Commission's docket.


PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner

ENTERED
OCT 26 2023 bsb
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00315 DATED OCT 26 2023

	Base Rate	New Rate	Change
<u>Louisville Water</u>			
Purchases in Gallons	217,616,000	217,616,000	
Rate per 1,000 Gallons	<u>\$2.55/1,000</u>	<u>\$2.63/1,000</u>	
Subtotal	\$554,920.80	\$572,330.08	\$17,409.28
Months	12	12	
4-inch meter monthly charge	\$150.24	\$150.72	
3 meters	<u>\$450.72</u>	<u>\$452.16</u>	
Subtotal	\$5,408.64	\$5,425.92	\$17.28
<u>Hardin District #2</u>			
Purchases in Gallons	347,176,000	347,176,000	
Rate per 1,000 Gallons	<u>\$2.20/1,000</u>	<u>\$2.20/1,000</u>	
Sub-total	\$763,787.20	\$763,787.20	no change
<u>U.S. Treasury Garrison Resource</u>			
Purchases in Gallons	293,000	293,000	
Rate per 1,000 Gallons	<u>\$2.98/1,000</u>	<u>\$2.98/1,000</u>	
Sub-total	\$872.49	\$872.49	no change
Total	\$1,324,989.13	\$1,342,415.69	
Increased water cost			\$17,426.56
Increased water cost		\$17,426.56	
Divided by Gallons sold/1,000		<u>1,318,535,300</u>	
Purchased water adjustment factor		\$0.0132	per 1,000 Gallons
		or \$ 0.00002	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00315 DATED OCT 26 2023

The following rates and charges are prescribed for the customers in the area served by Hardin County Water District #1. 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

All Meters

First	15,000 Gallons	\$7.52	Minimum Bill
Over	15,000 Gallons	0.00541	Per Gallon
Wholesale rate		0.00335	Per Gallon

*David T Wilson
Skeeters, Bennett, Wilson & Humphrey
550 W. Lincoln Trail Boulevard
Radcliff, KENTUCKY 40160

*Richard Shufelt
Skeeters, Bennett, Wilson & Humphrey
550 W. Lincoln Trail Boulevard
Radcliff, KENTUCKY 40160

*Hardin County Water District #1
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*Stephen M. Hogan
General Manager
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