

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF LAKE VILLAGE)	2023-00321
WATER ASSOCIATION, INC.)	

ORDER

On September 28, 2023, Lake Village Water Association, Inc. (Lake Village Water) 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 278.012, 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, 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

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 from its rates approved in Case No. 2022-00349,¹ to the rates as approved in Case No. 2023-00206 effective August 02, 2023.² Lake Village Water proposes to increase the water rates to its customers effective November 10, 2023, to reflect the increased cost of purchased water from Harrodsburg. Danville did not propose any rate changes.

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, Lake Village Water reported a water loss of 32.0122 percent.³ Lake Village Water's application provides updated purchase and sales information for the period of September 2022 through August 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, Lake Village Water's unaccounted-for water loss is 27.38 percent for the updated period.⁴ Reduction of Lake Village Water's unaccounted-for water loss to 15 percent would result in an approximate

¹ 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), final Order.

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

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

⁴ Total Purchases (application PWA Form 1 at 2)	224,178,142
Less Total Sales (application PWA Form 1 at 2)	160,342,100
Less Plant Use (% determined from 2022 Annual Report)	2,455,647
Water Loss – Gallons	61,380,395
Water Loss – Percent	27.38%

\$73,976.62 decrease to purchased water expense.⁵ Potentially, Lake Village Water is paying approximately \$0.46 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁶ The cost of Lake Village Water's total water loss is \$163,609.02.⁷

In Case No. 2022-00068, the Commission ordered Lake Village Water to implement a water loss reduction surcharge.⁸ 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.⁹ 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. 2022-00068.¹⁰ 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

⁵ Water loss above 15% is 12.38%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$597,549.40 times water loss above 15%) equals \$73,976.62.

⁶ Potential purchased water expense reduction divided by sales (\$73,976.62/ (160,342,100/1,000)) equals \$0.46 per 1,000 gallons.

⁷ Total water cost at new wholesale rate of \$597,549.40 times 27.38% water loss equals \$163,609.02.

⁸ 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).

⁹ Case No. 2022-00068, Oct. 4, 2022 final Order.

¹⁰ 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.

a detailed spending plan for the proceeds of a surcharge, within 120 days of the date of service of the 2022-00325 opening Order.¹¹ Lake Village Water filed its qualified infrastructure 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 2022.¹² 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 became effective on October 4, 2023, increased the average customer bill by an additional 5.35 percent. The Commission recommends that Lake Village Water regularly evaluate its financial performance to determine whether the full year impact of the Phase 1 increase and the 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 \$0.11 per 1,000 gallons. During the 12 months ended August 31, 2023, Lake Village Water purchased 86,889,924 gallons of water from Harrodsburg and 137,288,218 gallons of water from Danville and sold 160,342,100 gallons of water to its customers. The increase in the cost of purchased water from Harrodsburg is \$16,692.72, resulting in

¹¹ Case No. 2022-00325, Oct. 4, 2022 opening Order.

¹² See Case No. 2022-00068, Oct. 4, 2022 Order.

a purchased water adjustment factor of \$0.11 per 1,000 gallons. No rate changes occurred from Danville.

The purchased water adjustment factor of \$0.11 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 November 10, 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 \$0.11 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 November 10, 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.

PUBLIC SERVICE COMMISSION

Walt Cole
Chairman

by KAC w/permission *Angie Hattom*
Vice Chairman

Mary Pat Regan
Commissioner

ENTERED
OCT 20 2023 bsb
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Antonia
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00321 DATED OCT 20 2023

	Base Rate	New Rate	Increase
<u>Danville</u>			
Purchases	137,288,218	137,288,218	
Wholesale rate	<u>\$ 2.41/1,000</u>	<u>\$ 2.41/1,000</u>	
	\$330,864.61	\$330,864.61	NO CHANGE

<u>Harrodsburg</u>			
Purchases	86,889,924	86,889,924	
Wholesale rates	<u>see table below</u>	<u>see table below</u>	
	\$ 249,992.07	\$ 266,684.79	\$ 16,692.72

Increased water cost \$ 16,692.72

Increased water cost \$16,692.72
Divided by Gallons sold/1,000 160,342,100
Purchased water adjustment factor \$ 0.1041 per 1,000 Gallons

or \$ 0.00011 per Gallon

Harrodsburg

	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	\$13.12	\$17.54	\$13.97	\$18.68	\$32.80	\$34.93
Next	750	5,610	4.98	6.66	5.30	7.09	37.35	39.75
Next	3,000	22,440	4.32	5.78	4.60	6.15	129.60	138.00
Next	6,000	44,880	3.67	4.91	3.91	5.23	220.20	234.60
Next	25,000	187,000	3.13	4.18	3.33	4.45	782.50	832.50
Next	25,000	187,000	2.61	3.49	2.78	3.72	652.50	695.00
Over	60,000	448,800	2.09	2.79	2.23	2.98		
			Subtotal Cost for 1st 448,800 Gallons				\$1,854.95	\$1,974.78
			Subtotal Cost for 12 months of 1st 448,800 Gallons				\$22,259.40	\$23,697.30

	Total Gallons Purchased from Harrodsburg		Less the 1st 448,800 Gallons	Current Rates	Proposed Rates
Sep-22	6,852,884	(448,800)	6,404,084	\$17,893.76	\$19,092.39
Oct-22	5,935,881	(448,800)	5,487,081	\$15,331.55	\$16,358.54
Nov-22	8,596,412	(448,800)	8,147,612	\$22,765.39	\$24,290.34
Dec-22	9,440,889	(448,800)	8,992,089	\$25,124.95	\$26,807.97
Jan-23	5,667,035	(448,800)	5,218,235	\$14,580.36	\$15,557.04
Feb-23	8,173,015	(448,800)	7,724,215	\$21,582.37	\$23,028.07
Mar-23	6,622,852	(448,800)	6,174,052	\$17,251.03	\$18,406.60
Apr-23	6,673,708	(448,800)	6,224,908	\$17,393.13	\$18,558.22
May-23	7,099,261	(448,800)	6,650,461	\$18,582.17	\$19,826.91
Jun-23	7,213,136	(448,800)	6,764,336	\$18,900.35	\$20,166.40
Jul-23	7,330,939	(448,800)	6,882,139	\$19,229.51	\$20,517.61
Aug-23	<u>7,283,912</u>	(448,800)	<u>6,835,112</u>	\$19,098.11	\$20,377.41
Subtotal Cost for Gallons Over 448,800				\$227,732.67	\$242,987.49
Subtotal Cost for 12 months of 1st 448,800 Gallons				\$22,259.40	\$23,697.30
TOTAL COST of Purchased Water from Harrodsburg				<u>\$249,992.07</u>	<u>\$266,684.79</u>
Increased Water Cost					\$16,692.72

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00321 DATED OCT 20 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

5/8- x 3/4-Inch Meter

First	2,000	Gallons	\$ 30.37	Minimum Bill
Next	18,000	Gallons	\$ 0.01188	Per Gallon
Over	20,000	Gallons	\$ 0.00964	Per Gallon

Wholesale Rates

North Point Training Center			\$ 0.00476	Per Gallon
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Burgin, KY 40310

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