

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF CALDWELL COUNTY)	2023-00419
WATER DISTRICT)	

ORDER

On December 18, 2023, Caldwell County Water District (Caldwell District) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. On December 19, 2023, the Commission notified Caldwell District that its application was rejected for certain filing deficiencies. On December 27, 2023, Caldwell District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of December 27, 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

Caldwell District purchases water from the city of Princeton (Princeton), South Hopkins Water District (South Hopkins District), and Crittenden-Livingston County Water District (Crittenden-Livingston District). Princeton notified Caldwell District that its wholesale rate would increase from \$3.262 per 1,000 gallons to \$3.583 per 1,000 gallons, effective January 1, 2024.¹ Caldwell District proposes to increase the water rates to its customers effective January 1, 2024, to reflect the increased cost of purchased water from Princeton. South Hopkins District and Crittenden-Livingston District did not propose any changes to its rates.

Unaccounted-for Water Loss

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, Caldwell District reported a water loss of 29.3435 percent.² Caldwell District's application provides updated purchase and sales information for the period of October 2022 through September 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, Caldwell

¹ TFS2023-00375 (Ky. PSC Dec. 11, 2023); Princeton submitted the tariff on August 16, 2023, and the tariff was accepted for filing by the Commission by letter dated December 11, 2023, with an effective date of January 1, 2024.

² *Annual Report of Caldwell District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

District’s unaccounted-for water loss is 23.02 percent for the updated period.³ Reduction of Caldwell District’s unaccounted-for water loss to 15 percent would result in an approximate \$29,709 decrease to purchased water expense.⁴ Potentially, Caldwell District is paying approximately \$0.34 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁵ The cost of Caldwell District’s total water loss is \$85,282.⁶

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Caldwell District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Caldwell District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility. The Commission finds that additional information is needed pertaining to Caldwell District’s annual water losses. On or before February 26, 2024, Caldwell District, by and through counsel, shall file its response to the request for information attached to this Order as Appendix C.

³ Total Purchases (application PWA Form 1 at 2)	113,506,048
Less Total Sales (application PWA Form 1 at 2)	86,537,400
Less Plant Use (% determined from 2022 Annual Report)	840,853
Water Loss – Gallons	26,127,795
Water Loss – Percent	23.02%

⁴ Water loss above 15% is 8.02%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$406,674.43 times water loss above 15%) equals \$29,709.

⁵ Potential purchased water expense reduction divided by sales (\$29,709/ (86,537,400/1,000)) equals \$0.34 per 1,000 gallons.

⁶ Total water cost at new wholesale rate of \$406,674.43 times 23.02% water loss equals \$85,282.

Financial Condition and Rates

Based on a review of Commission records, Caldwell District last sought a general base rate adjustment in 2021. Caldwell District's most recent rate adjustment, Case No. 2021-00423,⁷ closed on September 12, 2022, with a required revenue increase of \$214,758, or 16.24 percent. This increased the monthly bill of a typical customer from \$55.75 to \$64.80, or approximately 16.23 percent. Commission Staff recommends that Caldwell District evaluate its financial performance annually to determine if a rate filing is necessary.

Purchased Water Adjustment Factor

In its application, Caldwell District proposed a purchased water adjustment factor of \$0.42 per 1,000 gallons. During the 12 months ended September 30, 2023, Caldwell District purchased 112,734,487 gallons of water from Princeton, 771,561 gallons of water from South Hopkins District and sold 86,537,400 gallons of water to its customers. Caldwell District did not report any purchases from Crittenden-Livingston District. The increase in the cost of purchased water from Princeton is \$36,188, resulting in a purchased water adjustment factor of \$0.42 per 1,000 gallons. No rate changes occurred from South Hopkins District or Crittenden-Livingston District.

The purchased water adjustment factor of \$0.42 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 Caldwell District on and after January 1, 2024, because the rates are supported by evidence of the increase

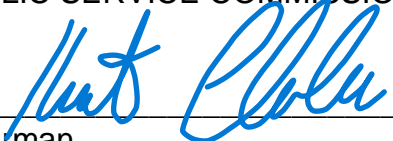
⁷ Case No. 2021-00423, *Electronic Application of Caldwell County Water District for an Alternative Rate Adjustment* (Ky. PSC Sept. 12, 2022), final Order.

in rates from Caldwell 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 \$0.42 per 1,000 gallons is approved.
2. The rates proposed by Caldwell District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Caldwell District on and after January 1, 2024.
4. Within 20 days of the date of service of this Order, Caldwell District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. Caldwell District shall respond, by and through counsel, to the inquiries in Appendix C, no later than February 26, 2024.
6. This case shall remain open so that Caldwell District may respond to the Commission's request for information in Appendix C.

PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner

ENTERED
JAN 25 2024 bsb
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00419 DATED JAN 25 2024

	Base Rate	New Rate	Change
<u>Princeton</u>			
Purchases in Gallons	112,734,487	112,734,487	
Rate per 1,000 Gallons	<u>\$3.262/1,000</u>	<u>\$3.583/1,000</u>	
Subtotal	\$367,739.90	\$403,927.67	\$36,187.77
 <u>South Hopkins District</u>			
Purchases in Gallons	347,176,000	347,176,000	
Rate per 1,000 Gallons	<u>\$3.56/1,000</u>	<u>\$3.56/1,000</u>	
Sub-total	\$2,746.76	\$2,746.76	no change
 <u>Crittenden Livingston</u>			
Purchases in Gallons	0	0	
Rate per 1,000 Gallons	<u>\$3.34/1,000</u>	<u>\$3.34/1,000</u>	
Sub-total	\$0.00	\$0.00	no change
 Total	 \$370,486.66	 \$406,674.43	
 Increased water cost			 \$36,187.77
 Increased water cost		\$36,187.77	
Divided by Gallons sold/1,000		<u>86,537,400</u>	
Purchased water adjustment factor		\$0.42	per 1,000 Gallons
		or \$ 0.00042	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00419 DATED JAN 25 2024

The following rates and charges are prescribed for the customers in the area served by Caldwell County 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

All Meters

First	1,000 Gallons	29.99	Minimum Bill
Next	3,000 Gallons	0.01589	Per Gallon
Next	6,000 Gallons	0.01306	Per Gallon
Next	20,000 Gallons	0.01024	Per Gallon
Over	30,000 Gallons	0.00905	Per Gallon

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00419 DATED JAN 25 2024

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO CALDWELL COUNTY WATER DISTRICT

Caldwell County Water District (Caldwell District), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on February 26, 2024. The Commission directs Caldwell District to the Commission's July 22, 2021 Order in Case No. 2020-00085⁸ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Caldwell District shall make timely amendment to any prior response if Caldwell District obtains information that indicates the response was incorrect or incomplete when

⁸ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Caldwell District fails or refuses to furnish all or part of the requested information, Caldwell District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Caldwell District shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Caldwell District's Annual Reports for the years ended December 31, 2020, December 31, 2021, and December 31, 2022. Reported Water Loss was 14.8767 percent for year ended 2020, 19.5933 percent for year ended 2021, and 29.3435 percent for year ended 2022. Provide a detailed explanation of all factors contributing to the increased water loss.

2. Explain the efforts Caldwell District has made to address its increased water loss.

3. Explain whether Caldwell District has identified the source or sources of its current water loss, and identify the source or sources.

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