

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NICHOLAS COUNTY)	2023-00114
WATER DISTRICT)	

ORDER

On March 30, 2023, Nicholas County Water District (Nicholas 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 March 31, 2023, the Commission notified Nicholas District that its application was rejected because of certain filing deficiencies. On April 28, 2023, Nicholas District submitted further documentation to correct the filing deficiency, and the application was deemed filed on April 28, 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 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

Nicholas District purchases water from Western Fleming County Water District (Western Fleming District), Buffalo Trail Water Association (Buffalo Trail Water), the city

of Carlisle (Carlisle), and Kentucky-American Water Company (Kentucky-American). Western Fleming District notified Nicholas District that its wholesale rate would increase from \$2.14 per 1,000 gallons to \$2.19 per 1,000 gallons, effective October 5, 2022.¹ Buffalo Trail Water notified Nicholas District that its wholesale rate would increase from \$3.72 per 1,000 gallons to \$3.79 per 1,000 gallons, effective February 24, 2023.² Nicholas District proposes to increase the water rates to its customers effective February 24, 2023, to reflect the increased cost of purchased water from Western Fleming District and Buffalo Trail Water. Carlisle and Kentucky-American had no wholesale 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 2020 Annual Report filed with the Commission, Nicholas District reported a water loss of 24.3548 percent.³ Nicholas District's 2021 Annual Report filing has not been accepted by the Commission and it has not filed the 2022 Annual Report which was due March 31, 2023.

Nicholas District's application provides updated purchase and sales information for the period of March 2022 through February 2023. Based upon the updated information in the application, Nicholas District's unaccounted-for water loss is 33.36 percent for the

¹ Case No. 2021-00406, *Electronic Application of Western Fleming County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 5, 2022).

² Case No. 2021-00406, *Electronic Purchased Water Adjustment Filing of Buffalo Trail Water Association, Inc.* (Ky. PSC Feb. 24, 2023).

³ *Annual Report of Nicholas District to the Public Service Commission for the Year Ended December 31, 2020* at 57.

updated period.⁴ Reduction of Nicholas District’s unaccounted-for water loss to 15 percent would result in an approximate \$59,559.32 decrease to purchased water expense.⁵ Potentially, Nicholas District is paying approximately \$0.61 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁶ The estimated cost of Nicholas District’s total water loss is \$108,218.90.⁷ In the final Order of Nicolas District’s most recent base rate adjustment in Case No. 2021-00455,⁸ the Commission strongly encouraged Nicholas District to pursue reasonable actions to reduce its unaccounted-for water loss and stated that failure by Nicholas District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility. As identified in the report in Case No. 2019-00041, “[a] water utility’s inability to reduce excessive water loss over time is a symptom of other significant problems plaguing the utility, such as poor financial management and operational practices.”⁹ The Commission is concerned that Nicholas District chose to ignore the Commission’s strong encouragement to address water loss

4 Total Purchases (application PWA Form 1 at 2)	145,583,630
Less Total Sales (application PWA Form 1 at 2)	97,022,444
Less Plant Use (% determined from 2020 Annual Report)	None Reported
Water Loss – Gallons	48,561,186
Water Loss – Percent	33.36%

⁵ Water loss above 15% is 18.36%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$324,397.18 times water loss above 15%) equals \$59,559.32.

⁶ Potential purchased water expense reduction divided by sales (\$59,559.32/ (97,022,444/1,000)) equals \$0.61 per 1,000 gallons.

⁷ Total water cost at new wholesale rate of \$324,397.18 times 33.36% water loss equals \$108,218.90.

⁸ Case No. 2021-00455, *Electronic Application of Nicholas County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 12, 2022), final Order.

⁹ Case 2019-00041, *Investigation into Excessive Water Loss by Kentucky’s Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019) Executive Summary, ii.

and the water loss levels have dramatically increased. Given Nicholas District's reported water loss for the period March 2022 through February 2023; the fact that Nicholas District's 2021 Annual Report has not be accepted by the Commission; and that Nicholas District has not filed its 2022 Annual Report nor requested a filing extension, the Commission will open a separate investigation to assess Nicholas District's water loss and reporting issues.

Financial Condition and Rates

The Commission notes that Nicholas District was required by the Commission to file a general base rate case or an alternative rate adjustment filing.¹⁰ The Commission required Nicholas District to file a rate adjustment case because the utility had not sought a general base rate adjustment after 1985, and thus the Commission lacked insight to Nicholas District's financial condition.

The Commission reviewed Nicholas District's financial condition in the utility's most recent general base rate adjustment, Case No. 2021-00455,¹¹ which was concluded on August 8, 2022. In that case, Nicholas District's retail rates were increased by approximately 20.88 percent. The Commission encourages Nicholas District board members to closely review monthly financial statements and analyze on a scheduled basis whether a rate adjustment is needed.

¹⁰ Case No. 2020-00145, *Electronic Purchased Water Adjustment Filing of Nicholas County Water District* (Ky. PSC May 11, 2020).

¹¹ See Case No. 2021-00455, *Electronic Application of Nicholas County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 12, 2022), final Order.

Purchased Water Adjustment Factor

In its application, Nicholas District proposed a purchased water adjustment factor of \$0.04 per 1,000 gallons. During the 12 months ended February 2023, Nicholas District purchased 64,806,100 gallons of water from Western Fleming District, 70,470,300 gallons of water from Carlisle, 9,614,430 gallons of water from Buffalo Trail Water and 692,800 gallons of water from Kentucky-American. Nicholas District sold 97,022,444 gallons of water to its customers. The increase in the cost of purchased water from Western Fleming District and Buffalo Trail Water is \$3,913.32, resulting in a purchased water adjustment factor of \$0.04 per 1,000 gallons. No rate changes occurred from Carlisle or Kentucky-American.

The purchased water adjustment factor of \$0.04 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 Nicholas District on and after February 24, 2023, because the rates are supported by evidence of the increase in rates from Nicholas 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 \$0.04 per 1,000 gallons is approved.
2. The rates proposed by Nicholas District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Nicholas District on and after February 24, 2023.

4. Within 20 days of the date of service of this Order, Nicholas 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.

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PUBLIC SERVICE COMMISSION

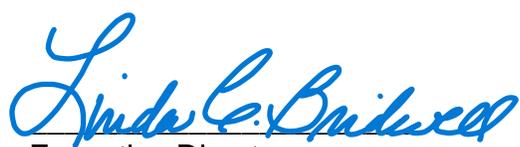

Chairman


Vice Chairman

 *with permission*
Commissioner



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00114 DATED MAY 26 2023

	Base Rate	New Rate	Increase
<u>Western Fleming District</u>			
Purchases	64,806,100	64,806,100	
Wholesale rate	<u>\$2.14/1,000</u>	<u>\$2.19/1,000</u>	
	\$138,685.05	\$141,925.36	\$3,240.31
<u>Buffalo Trail Water</u>			
Purchases	9,614,430	9,614,430	
Wholesale rate	<u>\$3.72/1,000</u>	<u>\$3.79/1,000</u>	
	\$35,765.68	\$36,438.69	\$673.01
 Total Purchases	 \$320,483.87	 \$324,483.87	
 Increased water cost			 \$ 3,913.32

Increased water cost	\$ 3,913.32
Divided by Gallons sold/1,000	<u>97,022,444</u>
Purchased water adjustment factor	\$ 0.0403 per 1,000 Gallons

or \$ 0.04 per 1,000 Gallons
or \$0.00004 per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00114 DATED MAY 26 2023

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

5/8 X 3/4-Inch Meter

First	1,000 Gallons	\$17.02	Minimum Bill
Next	2,000 Gallons	0.00855	Per Gallon
Next	2,000 Gallons	0.00717	Per Gallon
Next	5,000 Gallons	0.00590	Per Gallon
Next	15,000 Gallons	0.00541	Per Gallon
Over	25,000 Gallons	0.00515	Per Gallon

1-Inch Meter

First	3,000 Gallons	\$34.14	Minimum Bill
Next	2,000 Gallons	0.00717	Per Gallon
Next	5,000 Gallons	0.00590	Per Gallon
Next	15,000 Gallons	0.00541	Per Gallon
Over	25,000 Gallons	0.00515	Per Gallon

1 1/2-Inch Meter

First	5,000 Gallons	\$48.48	Minimum Bill
Next	5,000 Gallons	0.00590	Per Gallon
Next	15,000 Gallons	0.00541	Per Gallon
Over	25,000 Gallons	0.00515	Per Gallon

2-Inch Meter

First	10,000 Gallons	\$78.01	Minimum Bill
Next	15,000 Gallons	0.00541	Per Gallon
Over	25,000 Gallons	0.00515	Per Gallon

3-Inch Meter

First	15,000 Gallons	\$105.04	Minimum Bill
Next	10,000 Gallons	0.00541	Per Gallon

Over 25,000 Gallons 0.00515 Per Gallon

4-Inch Meter

First 25,000 Gallons \$159.12 Minimum Bill

Over 25,000 Gallons 0.00515 Per Gallon

Wholesale Rates

Harrison County Water Association 0.00383 Per Gallon

*Jason Pennell
Kentucky Rural Water Association
Post Office Box 1424
1151 Old Porter Pike
Bowling Green, KENTUCKY 42102-1424

*Nicholas County Water District
1639 Old Paris Road
Carlisle, KY 40311

*Monica Pryor
Office Manager
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