

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF SOUTH HOPKINS)	2023-00129
WATER DISTRICT)	

ORDER

On April 17, 2023, South Hopkins Water District (South Hopkins 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.

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

South Hopkins District purchases water from the city of Dawson Springs (Dawson Springs) and the city of Madisonville (Madisonville). On April 18, 2023, Dawson Springs gave South Hopkins District notice that it planned a 7.87 percent rate increase. Based on that notice, South Hopkins District proposed to increase the water rates to its

customers effective May 1, 2023, to reflect the increased cost of purchased water from Dawson Springs. Madisonville did not request a rate change.

On April 18, 2023, Dawson Springs filed its tariff¹ to increase its wholesale water rates to South Hopkins District from \$2.16 per 1,000 gallons to \$2.33 per 1,000 gallons for rates to be effective on May 8, 2023. However, in regards to Dawson Springs' tariff filing, KRS 278.180(1) provides that "no change shall be made by any utility in any rate except upon thirty (30) days' notice to the commission, stating plainly the changes proposed to be made and the time when the changed rates will go into effect." Because Dawson Springs provided notice to the Commission with less than 30 days between providing the notice and the tariff effective date, to comply with the time period established in KRS 278.180(1), the Commission determined that the proposed effective date of Dawson Springs' wholesale rate increase is May 18, 2023.²

KRS 278.015 allows a water district to increase its rate commensurate with the wholesale supplier. Because Dawson Springs's wholesale rate is not effective until May 18, 2023, a proposed purchased water adjustment based on that rate increase cannot become effective until that date. As such, South Hopkins District's adjusted rates discussed herein should become effective for service on or after May 18, 2023.

¹ TFS 2023-00211 (Ky. PSC May 10, 2023); Dawson Springs submitted the tariff on April 18, 2023, and the tariff was accepted for filing by the Commission by letter dated May 10, 2023, with an effective date of May 18, 2023.

² TFS 2023-00211 (Ky. PSC May 10, 2023); Dawson Springs submitted the tariff on April 18, 2023, and the tariff was accepted for filing by the Commission by letter dated May 10, 2023, with an effective date of May 18, 2023.

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 2021 Annual Report filed with the Commission, South Hopkins District reported a water loss of 37.3719 percent.³ South Hopkins 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 and the percentage of other water consumed by the utility in its 2021 Annual Report, South Hopkins District's unaccounted-for water loss is 27.3484 percent for the updated period.⁴ Reduction of South Hopkins District's unaccounted-for water loss to 15 percent would result in an approximate \$109,422.21 decrease to purchased water expense.⁵ Potentially, South Hopkins District is paying approximately \$.4447 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁶ The cost of South Hopkins District's total water loss is \$242,340.91.⁷ In Case No. 2022-00122,

³ *Annual Report of South Hopkins District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

⁴ Total Purchases (application PWA Form 1 at 2)	375,008,000
Less Total Sales (application PWA Form 1 at 2)	246,078,359
Less Plant Use (% determined from 2021 Annual Report)	26,370,938
Water Loss – Gallons	102,558,703
Water Loss – Percent	27.3484%

⁵ Water loss above 15% is 12.3484%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$886,124.62 times water loss above 15%) equals \$109,422.21.

⁶ Potential purchased water expense reduction divided by sales (\$109,422.21/(246,078,359/1,000)) = \$.4447 per 1,000 gallons.

⁷ Total water cost at new wholesale rate of \$886,124.62 x 27.3484% water loss = \$242,340.91.

the Commission ordered South Hopkins District to implement a water loss reduction surcharge.⁸

In order to address South Hopkins District's excessive unaccounted for water loss the Commission ordered South Hopkins District to assess a monthly water loss reduction surcharge of \$3.50 per active meter for 48 months, or until \$500,668 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. 2023-00018 for the purpose of monitoring South Hopkins District's unaccounted-for water loss reduction plan surcharge, which was approved in Case No. 2022-00122.¹⁰ Within 120 days of the date of service of the 2023-00018 opening Order dated February 14, 2023, South Hopkins District 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 a detailed spending plan for the proceeds of a surcharge.¹¹ No filings have been made by South Hopkins District in that monitoring case.

⁸ Case No. 2022-00122, *Electronic Application of South Hopkins Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 14, 2023).

⁹ Case No. 2022-00122, *Electronic Application of South Hopkins Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 14, 2023), final Order.

¹⁰ Case No. 2023-00018, *Electronic South Hopkins Water District Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Feb. 14, 2023), opening Order.

¹¹ Case No. 2023-00018, *Electronic South Hopkins Water District Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Feb. 14, 2023), opening Order.

Financial Condition and Rates

Based on a review of Commission records, South Hopkins District sought a general base rate adjustment in April 2022 in Case No. 2022-00122, which concluded on February 14, 2023.¹² In South Hopkins District's recent rate case, retail sales rates were increased by approximately 4.63 percent and a monthly water loss reduction surcharge of \$3.50 per customer was established.

Purchased Water Adjustment Factor

In its application, South Hopkins District proposed a purchased water adjustment factor of \$0.26 per 1,000 gallons. During the 12 months ended February 2023, South Hopkins District purchased 369,366,000 gallons of water from Dawson Springs and 5,642,000 gallons of water from Madisonville and sold 246,078,359 gallons of water to its customers. The increase in the cost of purchased water from Dawson Springs is \$62,792.22, resulting in a purchased water adjustment factor of \$0.26 per 1,000 gallons. No rate changes occurred from Madisonville.

The purchased water adjustment factor of \$0.26 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 South Hopkins District on and after May 18, 2023, because the rates are supported by evidence of the increase in rates from South Hopkins District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.


¹² Case No. 2022-00122, *Electronic Application of South Hopkins Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 14, 2023), final Order.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.26 per 1,000 gallons is approved.
2. The rates proposed by South Hopkins District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by South Hopkins District on and after May 18, 2023.
4. Within 20 days of the date of service of this Order, South Hopkins 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


Commissioner

ENTERED
MAY 15 2023
rCS
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00129 DATED MAY 15 2023

	Base Rate	New Rate	Change
<u>Dawson Springs</u>			
Purchases in Gallons	369,366,000	369,366,000	
Wholesale rate	<u>\$ 2.16/1,000</u>	<u>\$ 2.33/1,000</u>	
Sub-total	\$ 797,830.56	\$ 860,622.78	\$ 62,792.22
<u>Madisonville</u>			
Purchases in Gallons	5,642,000	5,642,000	
Wholesale rate	<u>\$ 4.52/1,000</u>	<u>\$ 4.52/1,000</u>	
Sub-total	\$ 25,501.84	\$ 25,501.84	No Change
Total	\$ 823,332.40	\$ 886,124.62	\$ 62,792.22

Increased water cost	\$ 62,792.22
Divided by Gallons sold/1,000	<u>246,078,359</u>
Purchased water adjustment factor	\$ 0.2552 per 1,000 gallons

or \$ 0.00026 per gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00129 DATED MAY 15 2023

The following rates and charges are prescribed for the customers in the area served by South Hopkins Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Rates

5/8 X 3/4-Inch Meter

First	1,000 Gallons	\$13.62	Minimum Bill
Next	9,000 Gallons	0.00763	Per Gallon
Next	10,000 Gallons	0.00714	Per Gallon
Next	30,000 Gallons	0.00665	Per Gallon
Over	50,000 Gallons	0.00574	Per Gallon

1-Inch Meter

First	10,000 Gallons	\$82.26	Minimum Bill
Next	10,000 Gallons	0.00714	Per Gallon
Next	30,000 Gallons	0.00665	Per Gallon
Over	50,000 Gallons	0.00574	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$153.58	Minimum Bill
Next	30,000 Gallons	0.00665	Per Gallon
Over	50,000 Gallons	0.00574	Per Gallon

3-Inch Meter

First	50,000 Gallons	\$353.13	Minimum Bill
Over	50,000 Gallons	0.00574	Per Gallon

Wholesale Rates

All		0.00356	Per Gallon
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*Robert K. Miller
Straightline Kentucky LLC
113 North Birchwood Ave.
Louisville, KENTUCKY 40206

*South Hopkins Water District
129 South Main Street
P. O. Box 487
Dawson Springs, KY 42408

*Kayla Goodaker
Office Manager
South Hopkins Water District
129 South Main Street
P. O. Box 487
Dawson Springs, KY 42408