

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	
ADJUSTMENT FILING OF NORTH NELSON	)	CASE NO.
WATER DISTRICT	)	2023-00178

ORDER

On June 1, 2023, North Nelson Water District (North Nelson 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

North Nelson District purchases water from Louisville Water Company (Louisville Water) and city of Bardstown (Bardstown). Louisville Water notified North Nelson District that its wholesale rate would increase from \$2.55 per 1,000 gallons to \$2.63 per 1,000 gallons and the meter service charge would increase from \$150.24 per month to \$150.72 per month for the 4 inch meter and from \$350.56 per month to \$351.68 per month for the

6 inch meter, effective July 1, 2023.<sup>1</sup> Bardstown notified North Nelson District that its wholesale rate would increase from \$2.64 per 1,000 gallons to \$2.72 per 1,000 gallons, effective July 1, 2023.<sup>2</sup> North Nelson District proposes to increase the water rates to its customers effective July 1, 2023, to reflect the increased cost of purchased water from Louisville Water and Bardstown.

#### 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, North Nelson District reported a water loss of 6.7286 percent.<sup>3</sup> North Nelson District's application provides updated purchase and sales information for the period of May 2022 through April 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, North Nelson District's unaccounted-

---

<sup>1</sup> TFS 2023-00168 (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.

<sup>2</sup> TFS 2019-00625 (Ky. PSC Dec. 4, 2019); Bardstown submitted the tariff on Nov. 15, 2019, and the tariff was accepted for filing by the Commission by letter dated Dec. 4, 2019, with an effective date of July 1, 2023.

<sup>3</sup> *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2022* (2022 Annual Report) at 57–58.

for water loss is 8.5242 percent for the updated period.<sup>4</sup> The cost of North Nelson District's total water loss is \$70,270.95.<sup>5</sup>

### Financial Condition and Rates

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.<sup>6</sup> 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.<sup>7</sup> Consequently, in Case No. 2022-00146,<sup>8</sup> North Nelson District was ordered to file an application for a general base rate adjustment or an alternative rate adjustment by June 24, 2023, to ensure that its revenue is sufficient to support adequate and reliable service, or, in the alternative, file a formal motion with a detailed analysis of its rates and revenues and a statement of the reasons why a rate case is not necessary. North Nelson District's 2022 annual report reflected a net loss of \$106,648.<sup>9</sup>

---

<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	308,137,000
Less Total Sales (application PWA Form 1 at 2)	273,541,800
Less Plant Use (% determined from 2022 Annual Report)	8,328,943
Water Loss – Gallons	26,266,257
Water Loss – Percent	8.5242%

<sup>5</sup> Total water cost at new wholesale rate of \$824,369.99 times 8.5242% water loss equals \$70,270.95.

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

<sup>7</sup> See Case No. 2019-00041, Nov. 22, 2019 final Order.

<sup>8</sup> Case No. 2022-00146, *Electronic Purchased Water Adjustment Filing of North Nelson Water District* (Ky. PSC June 24, 2022), final Order.

<sup>9</sup> Annual Report at 21.

### Purchased Water Adjustment Factor

In its application, North Nelson District proposed a purchased water adjustment factor of \$0.10 per 1,000 gallons. During the 12 months ended April 30, 2023, North Nelson District purchased 219,905,000 gallons of water from Louisville Water and 88,232,000 gallons of water from Bardstown and sold 273,541,800 gallons of water to its customers. The increase in the cost of purchased water from Louisville Water and Bardstown is \$24,670.16, resulting in a purchased water adjustment factor of \$0.10 per 1,000 gallons.

The purchased water adjustment factor of \$0.10 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 North Nelson District on and after July 1, 2023, because the rates are supported by evidence of the increase in rates from North Nelson District's wholesale water suppliers and the volume of purchased water used to calculate the rates in accordance with KRS 278. 015.

On or before June 24, 2023, North Nelson District shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary, as ordered in Case No. 2022-00146.<sup>10</sup>

---

<sup>10</sup> Case No. 2022-00146, *Electronic Purchased Water Adjustment Filing of North Nelson Water District* (Ky. PSC June 24, 2022), final Order.

IT IS THEREFORE ORDERED that:

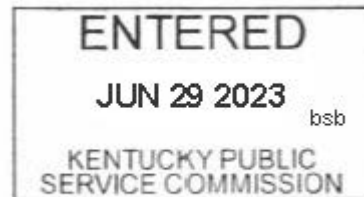
1. The purchased water adjustment factor of \$0.10 per 1,000 gallons is approved.
2. The rates proposed by North Nelson District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North Nelson District on and after July 1, 2023.
4. Within 20 days of the date of service of this Order, North Nelson District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. On or before June 24, 2023, North Nelson District shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve North Nelson District from this requirement.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2023-00178 DATED JUN 29 2023

	Base Rate	New Rate	Change
<u>Louisville Water</u>			
Purchases in Gallons	219,905,000	219,905,000	
Rate per 1,000 Gallons	<u>\$ 2.55/1000</u>	<u>\$ 2.63/1000</u>	
Sub-total	\$560,757.75	\$578,350.15	\$ 17,592.40
Months	12	12	
4-inch meter monthly charge	\$ 150.24	\$ 150.72	
Sub-total	\$ 1,802.88	\$ 1,808.64	\$ 5.76
Months	12	12	
6-inch meter monthly charge	<u>\$ 350.56</u>	<u>\$ 351.68</u>	
Sub-total	\$ 4,206.72	\$ 4,220.16	\$ 13.44
<u>Bardstown</u>			
Purchases in Gallons	88,232,000	88,232,000	
Rate per 1,000 Gallons	<u>\$2.64/1000</u>	<u>\$2.72/1000</u>	
Sub-total	\$ 232,932.48	\$239,991.04	\$ 7,058.56
Total	\$799,699.83	\$824,369.99	\$ 24,670.16

Increased water cost \$ 24,670.16

Increased water cost \$ 24,670.16

Divided by Gallons sold/1,000 273,541,800

Purchased water adjustment factor \$ 0.0902 per 1,000 Gallons

or \$ 0.00010 per gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2023-00178 DATED JUN 29 2023

The following rates and charges are prescribed for the customers in the area served by North Nelson 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 Water Rates

First	2,000 Gallons	\$16.05 Minimum Bill
Next	3,000 Gallons	0.00485 Per Gallon
Next	5,000 Gallons	0.00433 Per Gallon
Over	10,000 Gallons	0.00398 Per Gallon
Truck Loading Stations		\$ 0.00766 Per Gallon



\*North Nelson Water District  
5555 Louisville Road  
P. O. Box 25  
Cox's Creek, KY 40013

\*Colin Cissell  
General Manager  
North Nelson Water District  
5555 Louisville Road  
P. O. Box 25  
Cox's Creek, KY 40013