

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF)	CASE NO.
HARRODSBURG WATER DEPT. REVISING ITS)	2023-00206
WHOLESALE WATER SERVICE RATES)	

ORDER

On June 2, 2023, pursuant to 807 KAR 5:011, the city of Harrodsburg Water Department (Harrodsburg) tendered a tariff proposing to increase its existing rate for wholesale water services to Lake Village Water Association (Lake Village Water) and North Mercer Water District (North Mercer District) effective July 3, 2023. By Order dated June 29, 2023, pursuant to KRS 278.190(2), the Commission determined that further proceedings were necessary and suspended the rates for five months, up to and including December 2, 2023, and required Harrodsburg to file evidence that it had met a certain condition precedent in the wholesale contracts before the Commission would consider allowing the rates to be placed into effect.¹ Harrodsburg responded to the Commission's Order on June 30, 2023, and filed a motion on July 10, 2023, requesting that the Commission approve its proposed rates. This matter now stands submitted to the Commission for a decision.

LEGAL STANDARD

Pursuant to KRS 278.200, the Commission has jurisdiction over rates and service standards that are fixed by contract between a utility subject to the Commission's

¹ Order (Ky. PSC June 29, 2023) at 6.

jurisdiction and a city, such as Harrodsburg. Under the standard established in KRS 278.030 and KRS 278.190, Harrodsburg has the burden of proof that its proposed rates are fair, just, and reasonable.

KRS 278.180 requires a utility to provide 30 days' notice to the Commission before any changes to the utility's rates.

BACKGROUND

Harrodsburg, through its water and sewer divisions, operates facilities providing water service to 4,902 customers and sanitary sewer service to 4,399 customers located in and near Harrodsburg, Kentucky.² Harrodsburg also provides wholesale water service to North Mercer District and Lake Village Water.

Lake Village Water, a water association organized pursuant to KRS Chapter 273, and North Mercer District, a water district organized pursuant to KRS Chapter 74, are both utilities subject to the Commission's jurisdiction.

PROPOSED TARIFF

Harrodsburg's tariff proposes to increase the wholesale water rates to Lake Village Water and North Mercer District by 6.5 percent. As a basis for the rate increase, Harrodsburg stated that its contracts with Lake Village Water and North Mercer District require increases to the wholesale rate when Harrodsburg raises its retail rates, and that Harrodsburg anticipated a commensurate 6.5 percent increase to its retail customers to

² Case No. 2022-00349, *Electronic Tariff Filing of the City of Harrodsburg Water Dept. Revising its Wholesale Water Service Rates*, Harrodsburg's Response to Commission Staff's Third Request for Information (filed Feb. 9, 2023), Item 1.

be effective July 3, 2023.³ Harrodsburg also asserted that the proposed increase in its wholesale rates are justified by the costs and expenses it incurs to provide service.⁴

When Harrodsburg filed its tariff on June 2, 2023, Harrodsburg indicated that the ordinance to increase its retail rates was scheduled to receive its first reading on June 12, 2023, with the second reading scheduled for June 26, 2023, such that the retail rates were not approved or in effect at that time it filed its wholesale rates.

By Order entered June 29, 2023 Order, the Commission explained that, because the increase in Harrodsburg's retail rates is a contractual condition precedent to the increase in Harrodsburg's wholesale rates, Harrodsburg's proposed wholesale rates could not become effective until it complied with that condition. Further, the Commission stated that, pursuant to KRS 278.180, the earliest Harrodsburg's wholesale rate could be placed in effect would be 30 days from the date the retail rates are placed in effect. Also in the June 29, 2023 Order, the Commission suspended Harrodsburg's tariff and ordered it to file evidence that it raised its retail rates within three dates of doing so.⁵

Harrodsburg responded to the Commission's Order on June 30, 2023, by filing the ordinance raising retail rates.⁶ Harrodsburg then filed a motion on July 10, 2023, requesting an Order approving its proposed wholesale rates and closing this proceeding.⁷

³ June 2, 2023 letter from M. Todd Osterloh to Linda Bridwell.

⁴ June 2, 2023 letter from M. Todd Osterloh to Linda Bridwell.

⁵ Order (Ky. PSC June 29, 2023) 4-6.

⁶ Notice of Filing (filed June 30, 2023).

⁷ Harrodsburg_Motion_for_Approval_(01917715).pdf (uploaded July 10, 2023).

DISCUSSION

The table below is a comparison of Harrodsburg's current and proposed volumetric wholesale rates for Lake Village Water and North Mercer District.

			<u>Current Rate</u>	<u>Proposed Rate</u>	<u>\$ Change</u>	<u>% Change</u>
First	250	cubic feet (Min. Bill)	\$13.12	\$13.97	\$0.85	6.5% Increase
Next	750	cubic feet (per 100 cu. ft.)	4.98	5.30	0.32	6.5% Increase
Next	3,000	cubic feet (per 100 cu. ft.)	4.32	4.60	0.28	6.5% Increase
Next	6,000	cubic feet (per 100 cu. ft.)	3.67	3.91	0.24	6.5% Increase
Next	25,000	cubic feet (per 100 cu. ft.)	3.13	3.33	0.20	6.5% Increase
Next	25,000	cubic feet (per 100 cu. ft.)	2.61	2.78	0.17	6.5% Increase
Over	60,000	cubic feet (per 100 cu. ft.)	2.09	2.23	0.14	6.5% Increase

Harrodsburg's proposed rate increase is not based upon the actual cost of producing water or a cost of service study as the Commission generally requires. Rather, as discussed above, Harrodsburg proposed to increase wholesale rates commensurate with a retail water rate increase pursuant to its contracts with Lake Village Water and North Mercer District. Nevertheless, Harrodsburg contends that the proposed 6.5 percent wholesale rate increase is reasonable, because its own calculations show that Harrodsburg could justify an increase of 37.09 percent.⁸

In reviewing the case record, the Commission concludes that Harrodsburg correctly limited its wholesale water rate increase to the level of the retail water rate increase, and that the proposed increase is in accordance with its wholesale water service contracts with Lake Village Water and North Mercer District. Harrodsburg also presented wholesale rate calculations that indicated it could justify an increase in the wholesale

⁸ June 2, 2023 letter from M. Todd Osterloh to Linda Bridwell.

water rate substantially in excess of the requested 6.5 percent increase. Because Harrodsburg's requested increase is limited to the level of its retail water increase, is in compliance with the wholesale service contracts, and an analysis and evidence supporting the increase was provided, the Commission finds that Harrodsburg's proposed wholesale rate increase is fair, just and reasonable and should be approved for service as of the date of this Order.

IT IS THEREFORE ORDERED that:

1. The wholesale rates proposed by Harrodsburg for service to Lake Village Water and North Mercer District, as set forth in the Appendix to this Order, are approved for service rendered on and after the date of this Order.

2. Within 20 days of the date of service of this Order, Harrodsburg shall file, using the Commission's electronic Tariff Filing System, its tariff setting forth the rates approved in this Order, reflecting their effective date and that they were authorized by this Order.

3. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00206 DATED AUG 02 2023

The following volumetric monthly rates and charges are prescribed for North Mercer Water District and Lake Village Water Association for service provided by the city of Harrodsburg Water Department. 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.

Volumetric Monthly Rates to North Mercer Water District
and Lake Village Water Association:

First	250 Cubic Feet	\$13.97	Minimum Bill
Next	750 Cubic Feet	0.0530	Per Cubic Foot
Next	3,000 Cubic Feet	0.0460	Per Cubic Foot
Next	6,000 Cubic Feet	0.0391	Per Cubic Foot
Next	25,000 Cubic Feet	0.0333	Per Cubic Foot
Next	25,000 Cubic Feet	0.0278	Per Cubic Foot
Over	60,000 Cubic Feet	0.0223	Per Cubic Foot

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