

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF JUDY WATER)	2023-00273
ASSOCIATION, INC.)	

ORDER

On August 14, 2023, Judy Water Association, Inc. (Judy Water) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068. On August 15, 2023, Judy Water filed an updated application with corrected information.

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water association increases its rates, the water association has the authority to increase its rate commensurate with the wholesale supplier. Under 807 KAR 5:068, Section 4, a water association must file a request to adjust its rates to reflect the change in its purchased water costs due to a supplier's changed rate no earlier than 30 days prior to the proposed effective date of the changed rate or no later than 20 days after the utility, without prior Commission approval, adjusts its rates to reflect the changed rate. The water association 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

Judy Water purchases water from Mount Sterling Water & Sewer System (Mt. Sterling) and Kentucky-American Water Company (Kentucky-American). Mt. Sterling notified Judy Water that its wholesale rate would increase from \$3.40 per 1,000 gallons to \$3.67 per 1,000 gallons, effective August 1, 2023.¹ Judy Water proposed to increase the water rates to its customers effective August 4, 2023, to reflect the increased cost of purchased water from Mt. Sterling. Kentucky-American did not propose any 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 2022 Annual Report filed with the Commission, Judy Water reported a water loss of 15.3375 percent.² Judy Water's application provides updated purchase and sales information for the period of August 2022 through July 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, Judy Water's unaccounted-for water loss is

¹ TFS2023-00297 (Ky. PSC Jul. 31, 2023); Mt. Sterling submitted the tariff on June 22, 2023, and the tariff was accepted for filing by the Commission by letter dated July 31, 2023, with an effective date of August 1, 2023.

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

13.73 percent for the updated period.³ The cost of Judy Water’s total water loss is \$91,994.29.⁴

Financial Condition and Rates

Based on a review of Commission records, Judy Water recently completed an alternative rate adjustment in case 2022-00436.⁵ Judy Water increased retail water service rates by 20.31 percent to meet its required revenue increase of \$247,351. The monthly bill of a typical customer increased from \$31.79 to \$38.14, or approximately 19.97 percent. The Commission finds that Judy Water should evaluate its financial performance annually to determine if a rate filing is necessary to maintain its financial condition and ability to provide adequate, efficient and reasonable service.

Purchased Water Adjustment Factor

In its application, Judy Water proposed a purchased water adjustment factor of \$0.24 per 1,000 gallons. During the 12 months ended July 31, 2023, Judy Water purchased 129,387,400 gallons of water from Mt. Sterling and 42,798,100 gallons of water from Kentucky-American and sold 148,536,490 gallons of water to its customers. The increase in the cost of purchased water from Mt. Sterling is \$34,935, resulting in a purchased water adjustment factor of \$0.24 per 1,000 gallons. No rate changes occurred from Kentucky-American.

³ Total Purchases (application PWA Form 1 at 2)	172,185,500
Less Total Sales (application PWA Form 1 at 2)	148,536,490
Less Plant Use (% determined from 2022 Annual Report)	N/A
Water Loss – Gallons	23,649,010
Water Loss – Percent	13.7346%

⁴ Total water cost at new wholesale rate of \$670,023.98 x 13.73% water loss equals \$91,994.29.

⁵ Case No. 2022-00436, *Electronic Application of Judy Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 4, 2023), final Order.

The purchased water adjustment factor of \$0.24 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 Judy Water on and after August 4, 2023, because the rates are supported by evidence of the increase in rates from Judy Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.24 per 1,000 gallons is approved.
2. The rates proposed by Judy Water are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Judy Water on and after August 4, 2023.
4. Within 20 days of the date of service of this Order, Judy Water 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.

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. 2023-00273 DATED SEP 08 2023

	Base Rate	New Rate	Increase
Mt. Sterling			
Purchases in Gallons	129,387,400	129,387,400	
Wholesale rate	<u>\$ 3.40/1,000</u>	<u>\$ 3.67/1,000</u>	
	\$439,917.16	\$474,851.76	\$ 34,934.60
Kentucky-American (first 2 million)	25,550,000	25,550,000	
Purchases in Gallons	<u>\$4.52/1000</u>	<u>\$4.52/1000</u>	
Wholesale rate	\$115,486.00	\$115,486.00	no change
Kentucky-American (over 2 million)	17,248,100	17,248,100	
Purchases in Gallons	<u>\$4.62/1000</u>	<u>\$4.62/1000</u>	
Wholesale rate	\$ 79,686.22	\$ 79,686.22	no change
Increased water cost		\$ 34,934.60	
Increased water cost		\$ 34,934.60	
Divided by Gallons sold/1,000		<u>148,536,490</u>	
Purchased water adjustment factor		\$ 0.2352 per 1,000 Gallons	
		or \$ 0.00024 per Gallon	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00273 DATED SEP 08 2023

The following rates and charges are prescribed for the customers in the area served by Judy Water Association, Inc. 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	1,000	Gallons	\$16.46	Minimum Bill
Next	4,000	Gallons	0.01120	per Gallon
Next	5,000	Gallons	0.01014	per Gallon
Over	10,000	Gallons	0.00906	per Gallon

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