

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF WEST LAUREL	)	2023-00274
WATER ASSOCIATION, INC.	)	

ORDER

On August 23, 2023, West Laurel Water Association, Inc. (West Laurel 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.

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

West Laurel Water purchases water from Wood Creek Water District (Wood Creek District). Wood Creek District notified West Laurel Water that its wholesale rate would increase from \$3.42 per 1,000 gallons to \$3.53 per 1,000 gallons, effective for service rendered after March 1, 2023.<sup>1</sup> West Laurel Water proposes to increase the current water rates to its customers effective September 18, 2023, to reflect the increased cost of purchased water from Wood Creek District. In Case No. 2022-00120,<sup>2</sup> the Commission approved a two-phase rate increase for West Laurel Water, with Phase 1 rates taking effect on November 30, 2022, and Phase 2 rates scheduled to take effective on November 30, 2023.<sup>3</sup> In addition to the proposed adjustment to West Laurel Water's current rates, West Laurel Water proposes to apply the purchased water adjustment factor increase to the approved Phase 2 rates effective on November 30, 2023.

### Unaccounted-for Water Loss

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, West Laurel Water reported a water loss of 25.07 percent.<sup>4</sup> West Laurel Water's application provides

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<sup>1</sup> Case No. 2022-00145 *Electronic Application of Wood Creek Water District for a General Adjustment of Rates* (Ky. PSC Jan. 30, 2023), final Order, and TFS2023-00081, (Ky. PSC Feb. 1, 2023); Wood Creek Water District submitted the tariff on February 1, 2023, and the tariff was accepted for filing by the Commission by letter dated August 15, 2023.

<sup>2</sup> 2023-00120, *Electronic Application of West Laurel Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 30, 2022).

<sup>3</sup> 2023-00120, Nov. 30, 2022 final Order, Appendix B at 2.

<sup>4</sup> *Annual Report of West Laurel Water to the Public Service Commission for the Year Ended December 31, 2022* at 57.

updated purchase and sales information for June 2022 through May 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, West Laurel Water's unaccounted-for water loss is 24.34 percent for the updated period.<sup>5</sup> Reduction of West Laurel Water's unaccounted-for water loss to 15 percent would result in an approximate \$120,562.26 decrease to purchased water expense.<sup>6</sup> Potentially, West Laurel Water is paying approximately \$0.46 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.<sup>7</sup> The cost of West Laurel Water's total water loss is \$314,184.74.<sup>8</sup>

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages West Laurel Water to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by West Laurel Water to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Financial Condition and Rates

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<sup>5</sup> Total Purchases (application PWA Form 1 at 2)	365,670,399
Less Total Sales (application PWA Form 1 at 2)	263,660,400
Less Plant Use (% determined from 2022 Annual Report)	13,018,232
Water Loss – Gallons	88,991,767
Water Loss – Percent	24.34%

<sup>6</sup> Water loss above 15% is 9.34%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$1,290,816.50 times water loss above 15%) equals \$120,562.26.

<sup>7</sup> Potential purchased water expense reduction divided by sales (\$120,562.26/ (263,660,400/1,000)) equals \$0.46 per 1,000 gallons.

<sup>8</sup> Total water cost at new wholesale rate of \$1,290,816.50 times 24.34% water loss equals \$314,184.74.

Based on a review of Commission records, West Laurel Water last sought a general base rate adjustment in Case No. 2022-00120.<sup>9</sup> West Laurel Water increased rates to its customers by an annual amount of \$289,834 or 11.42 percent. The November 30, 2022 Order in Case No. 2022-00120, divided the rate increase into two phases. The Phase 1 rate increase became effective on the date of the final Order, November 30, 2022. The Phase 2 rate increase is scheduled for an effective date of November 30, 2023.

#### Purchased Water Adjustment Factor

In its application, West Laurel Water proposed a purchased water adjustment factor of \$0.153 per 1,000 gallons. During the 12 months ended May 31, 2023, West Laurel Water purchased 365,670,399 gallons of water from Wood Creek District and sold 263,660,400 gallons of water to its customers. The increase in the cost of purchased water from Wood Creek District is \$40,223.74, resulting in a purchased water adjustment factor of \$0.153 per 1,000 gallons.

The purchased water adjustment factor of \$0.153 per 1,000 gallons, as calculated in Appendix A, and the rates set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by West Laurel Water on and after September 18, 2023, because the rates are supported by evidence of the increase in rates from West Laurel Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012. The rates set forth in Appendix C to this Order are fair, just and reasonable and should be approved for water service rendered by West Laurel Water on and after November 30, 2023,

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<sup>9</sup> Case No. 2022-00120, Nov. 30, 2022 final Order.

because the rates are supported by evidence of the increase in rates from West Laurel 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 \$0.153 per 1,000 gallons is approved.
2. The rates proposed by West Laurel Water are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by West Laurel Water on and after September 18, 2023.
4. The rates as set forth in Appendix C to this Order are approved for water service rendered by West Laurel Water on and after November 30, 2023.
5. Within 20 days of the date of service of this Order, West Laurel Water shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
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. 2023-00274 DATED SEP 22 2023

	Base Rate	New Rate	Increase
<u>Wood Creek District</u>			
Purchases in Gallons	365,670,399	365,670,399	
Wholesale rate	<u>\$ 3.42/1,000</u>	<u>\$ 3.53/1,000</u>	
	\$1,250,592.76	\$1,290,816.50	\$40,223.74
Increased water cost		\$40,223.74	
Increased water cost		\$40,223.74	
Divided by Gallons sold/1,000		<u>263,660,400</u>	
Purchased water adjustment factor		\$ 0.1526 per 1,000 Gallons	
		or \$ 0.000153 per Gallon	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2023-00274 DATED SEP 22 2023

The following rates and charges are prescribed for the customers in the area served by West Laurel 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 Rates

Effective September 18, 2023

5/8- X 3/4-Inch Meter

First	1,000 Gallons	15.78	Minimum Bill
Next	2,000 Gallons	0.00965	Per Gallon
Next	2,000 Gallons	0.00921	Per Gallon
Next	5,000 Gallons	0.00865	Per Gallon
Over	10,000 Gallons	0.00717	Per Gallon

1-Inch Meter

First	5,000 Gallons	53.54	Minimum Bill
Next	5,000 Gallons	0.00865	Per Gallon
Over	10,000 Gallons	0.00717	Per Gallon

2-Inch Meter

First	20,000 Gallons	168.54	Minimum Bill
Over	20,000 Gallons	0.00717	Per Gallon

3-Inch Meter

First	30,000 Gallons	240.31	Minimum Bill
Over	30,000 Gallons	0.00717	Per Gallon

Wholesale Rate

0.00663	Per Gallon
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APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2023-00274 DATED SEP 22 2023

The following rates and charges are prescribed for the customers in the area served by West Laurel 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 Rates

Effective November 30, 2023

5/8- X 3/4-Inch Meter

First	1,000 Gallons	16.63	Minimum Bill
Next	2,000 Gallons	0.01017	Per Gallon
Next	2,000 Gallons	0.00969	Per Gallon
Next	5,000 Gallons	0.00910	Per Gallon
Over	10,000 Gallons	0.00753	Per Gallon

1-Inch Meter

First	5,000 Gallons	56.39	Minimum Bill
Next	5,000 Gallons	0.00910	Per Gallon
Over	10,000 Gallons	0.00753	Per Gallon

2-Inch Meter

First	20,000 Gallons	177.48	Minimum Bill
Over	20,000 Gallons	0.00753	Per Gallon

3-Inch Meter

First	30,000 Gallons	253.05	Minimum Bill
Over	30,000 Gallons	0.00753	Per Gallon

Wholesale Rate

0.00698	Per Gallon
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\*Brenden R. Welch  
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Kenvirons, Inc.  
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Frankfort, KENTUCKY 40602

\*West Laurel Water Association, Inc.  
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