

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NORTH NELSON)	2021-00223
WATER DISTRICT)	

ORDER

On June 1, 2021 North Nelson Water District (North Nelson District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that North Nelson District has not filed a general rate case since Case No. 19010268. The final Order for that case was issued on September 29, 1988.² North Nelson District filed one case for a Certificate of Public Convenience and Necessity and increasing rates pursuant to KRS 278.023, in Case No. 1992-00288.³ North Nelson District has filed multiple cases revising rates through the Purchase Water Adjustment (PWA) process. North Nelson District's 2020 annual report stated net income as \$136,384 indicating a stable financial condition.⁴ North Nelson District's most recent inspection by Commission Staff also noted no deficiencies. Based upon North Nelson

¹ KRS 278.015; 807 KAR 5:068.

² Case No. 19010268, *The Application of the North Nelson Water District for Authority to Adjust Rates* (Ky. PSC Sept. 29, 1988).

³ Case No. 1992-00288, *The Application of North Nelson Water District, Nelson County, Kentucky, (1) for a Certificate of Public Convenience and Necessity Authorizing Construction of Major Improvements and Additions to Its Existing Municipal Water Distribution System; and (2) Seeking Approval of Revised Water Service Rates and Charges; and (3) Seeking Approval of the Issuance of Certain Securities Has Been Received*, (Ky. PSC Aug. 10, 1992).

⁴ *Annual Report of North Nelson Water District to the Public Service Commission for the Year Ended December 31, 2020* at 21.

District's annual report and zero deficiency inspection, the Commission finds no cause to order North Nelson District to file a base rate case. However, the Commission notes that North Nelson District has increased its rates as part of financing cases pursuant to KRS 278.023 or the PWA process since 1988. The Commission's review of records in a financing case or PWA case is limited and very different from the comprehensive review of a utility's total financial stability and operational viability that takes place in a traditional rate adjustment case or an alternative rate adjustment. A key general recommendation that resulted from the investigation of Commission Case No. 2019-00041 was that utilities should implement a standard review of rate sufficiency every 3-5 years.⁵ The Commission finds that North Nelson District should implement a review of rate sufficiency at least every 3-5 years and that it should evaluate the need for more frequent base rate cases with the Commission to ensure that its rates are sufficient to provide for the financial and operational stability, as well as the long-term maintenance of the utility and its infrastructure.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that:

1. North Nelson District purchases water from Louisville Water Company (Louisville) and city of Bardstown (Bardstown).
2. Louisville notified North Nelson District that its wholesale volumetric rate would increase from \$2.41 per 1,000 gallons to \$2.46 per 1,000 gallons, and the meter service charge would increase from \$1,202.26 to \$1,244.34 per month, effective July 1,

⁵ See generally Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019).

2021. Bardstown notified North Nelson District that its wholesale rate would increase from \$2.49 per 1,000 gallons to \$2.56 per 1,000 gallons, effective July 1, 2021. North Nelson District proposes to increase the water rates to its customers effective July 1, 2021, to reflect the increased cost of purchased water from Louisville and Bardstown.

3. North Nelson District proposed a purchased water adjustment factor of \$0.07 per 1,000 gallons in its application.

4. During the 12 months ended April 30, 2021, North Nelson District purchased 203,108,000 gallons of water from Louisville and 82,306,000 gallons of water from Bardstown. During the same period, North Nelson District sold 271,368,000 gallons of water. The increase in the cost of purchased water is \$16,421.78, resulting in a purchased water adjustment factor of \$0.07 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.07 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved.

6. North Nelson District's proposed rates are approved.

7. 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, 2021.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.07 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, 2021.

4. Within 20 days of the date of entry 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. This case is closed and removed from the Commission's docket.

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By the Commission

ENTERED
JUN 25 2021
rCS
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2021-00223

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00223 DATED JUN 25 2021

	Base Rate	New Rate	
<u>Louisville</u>			
Purchases in Gallons	203,108,000	203,108,000	
Wholesale rate	<u>\$2.41</u>	<u>\$2.46</u>	
	\$489,490.28	\$499,645.68	
Meter Service Charge	\$1,202.26	\$1,244.34	
	<u>12 Months</u>	<u>12 Months</u>	
	\$14,427.12	\$14,932.08	
<u>Bardstown</u>			
Purchases in Gallons	<u>82,306,000</u>	<u>82,306,000</u>	
Wholesale rate	<u>\$2.49</u>	<u>\$2.56</u>	
	\$204,941.94	\$210,703.36	
Increased water cost			\$16,421.78
Increased water cost		\$16,421.78	
Divided by Gallons sold/1,000		<u>271,368,000</u>	
Purchased water adjustment factor		\$ 0.0605 per 1,000 Gallons	
		or 0.07 X per 1,000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00223 DATED JUN 25 2021

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 the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First	2,000 Gallons	\$15.71	Minimum Bill
Next	3,000 Gallons	\$0.00468	Per Gallon
Next	5,000 Gallons	\$0.00416	Per Gallon
Over	10,000 Gallons	\$0.00381	Per Gallon
Truck Loading Station		\$0.00749	Per Gallon

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