

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF BATH COUNTY)	2022-00067
WATER DISTRICT)	

ORDER

On March 1, 2022, Bath County Water District (Bath District) tendered its application requesting Commission approval to adjust Bath District's rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. On March 1, 2022, the Commission notified Bath District that its application was rejected because of certain filing deficiencies. Bath District submitted further documentation to correct the filing deficiency, and the application was accepted for filing on March 2, 2022.

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 rates 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

Unaccounted-for Water

Commission regulation 807 KAR 5:066, Section 6(3) states that for rate-making 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 operations. In its 2020 Annual Report filed with the Commission, Bath District reported a water loss of 9.2561 percent.¹ Bath District's application provides updated purchase and sales information for a more current period than the 2020 Annual Report. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2020 Annual Report, Bath District's unaccounted-for water loss is 4.0889 percent for the updated period.² Bath District's total water loss expense equals \$41,140.45.³

Financial Condition and Rates

Based on a review of Commission records, Bath District has not sought a general base rate adjustment since 2012.⁴ Bath District's only rate increases since then have occurred when a Bath District supplier has increased its rates. As a result, Bath District has not received a comprehensive review by the Commission of Bath District's financial records and operational structure for nine years.

¹ *Annual Report of Bath District to the Public Service Commission for the Year Ended December 31, 2020* at 57.

² Total Purchases (application PWA Form 1 at 2)	452,450,000
Less Total Sales (application PWA Form 1 at 2)	419,117,000
Less Plant Use (% determined from 2020 Annual Report)	14,832,668
Water Loss – Gallons	18,500,332
Water Loss – Percent	4.0889%

³ Total water cost at new wholesale rate of \$1,006,149.49 times 0.040889 (total water loss percentage) equals \$41,140.45.

⁴ Case No. 2012-00537, *Alternative Rate Filing for Bath County Water District* (Ky. PSC May 17, 2013).

In Case No. 2019-00041, the Commission found that some water district boards failed to regularly review rates to ensure that rates were sufficient to generate the revenue needed to maintain system reliability, and that delaying regular, gradual, rate adjustments could result in a deterioration of system integrity and failing infrastructure..⁵ 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.⁶ Following the findings and recommendations in Case No. 2019-00041, the Commission performed a limited review of Bath District’s annual and audit reports in this proceeding.

As documented in annual and audit reports filed with the Commission, Bath District has fully funded its depreciation reserve, but Bath District’s consistent negative income for the past four years concerns the Commission.

Year	2016	2017	2018	2019	2020
Net Income	\$ 59,370	\$ (37,165)	\$ (135,177)	\$ (133,030)	\$ (371,311)
Add: Depreciation Expense	351,657	337,242	364,411	344,483	354,248
Cash Basis Income	\$ 411,027	\$ 300,077	\$ 229,234	\$ 211,453	\$ (17,063)

Year	2016	2017	2018	2019	2019
<i>Audit Report</i>					
Cash and Cash Equivalents	\$ 1,778,088	\$ 1,938,886	\$ 2,034,966	\$ 1,289,296	\$ 1,328,999
Depreciation Reserve	219,400	219,400	219,400	219,400	219,400
Net Increase (Decrease) in Cash	223,079	160,798	96,080	(745,670)	39,703
Water Loss Percentage	9.3921	11.3540	11.8494	9.6660	9.2561

⁵ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order, Appendix L at 14.

⁶ *Id.*, Executive Summary at iv.

The utility's consistent negative net income leads the Commission to conclude that Bath District should file an application for a general base rate adjustment or an alternative rate adjustment within six months of the date of this Order to ensure that its revenue is sufficient to support adequate and reliable service. In the alternative, Bath District may 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. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Bath District from this requirement.

FINDINGS

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

1. Bath District purchases water from Morehead Utility Plant Board (Morehead) and Mount Sterling Water & Sewer (Mt. Sterling).
2. Morehead notified Bath District that its wholesale rate would increase from \$1.595 per 1,000 gallons to \$1.678 per 1,000 gallons, but its monthly Capital Costs would decrease from \$19,054.48 to \$18,171.23 effective January 1, 2022. Bath District proposes to increase the water rates to its customers effective February 15, 2022, to reflect the net increased cost of purchased water from Morehead.
3. Bath District proposed a purchased water adjustment factor of \$0.06 per 1,000 gallons in its application.
4. During the 12 months ended January 31, 2022, Bath District purchased 433,091,000 gallons of water from Morehead and 19,359,000 gallons of water from Mt. Sterling. During the same period, Bath District sold 419,117,000 gallons of water. The

increase in the cost of purchased water is \$25,347.55, resulting in a purchased water adjustment factor of \$0.06 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.06 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved, because the water adjustment factor is supported by evidence of the increase in rates from Bath District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

6. Bath 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 Bath District on and after February 15, 2022, because the rates are supported by evidence of the increase in rates from Bath District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

8. Bath District should file an application for an adjustment in base rates within six months of the date of entry of this Order.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.06 per 1,000 gallons is approved.

2. The rates proposed by Bath District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Bath District on and after February 15, 2022.

4. Within 20 days of the date of entry of this Order, Bath District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

5. Bath 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 and a statement explaining the reasons why no modifications are necessary, within six months of the date of issuance of this Order. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Bath 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. 2022-00067 DATED MAR 30 2022

	Base Rate	New Rate	Increase
<u>Morehead Utility Plant Board</u>			
Purchases in Gallons	433,091,000	433,091,000	
Rate per 1,000 Gallons	<u>\$ 1.595/1,000</u>	<u>\$ 1.678/1,000</u>	
	\$690,780.15	\$726,726.70	\$35,946.55
Capital Costs	\$19,054.48	\$18,171.23	
	<u>12 months</u>	<u>12 months</u>	
	\$228,653.76	\$218,054.76	\$(10,599.00)
<u>Mt. Sterling Water</u>			
Purchases in Gallons	19,359,000	19,359,000	
	<u>\$ 3.17/1000</u>	<u>\$ 3.17/1000</u>	
	\$61,368.03	\$ 61,368.03	N/A
Total	\$980,801.94	\$1,006,149.49	
Increased water cost			\$ 25,347.55
Increased water cost		\$ 25,347.55	
Divided by Gallons sold/1000		<u>419,117,000</u>	
Purchased water adjustment factor		\$ 0.0605 per 1,000 Gallons	
		or	\$ 0.06 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00067 DATED MAR 30 2022

The following rates and charges are prescribed for the customers in the area served by Bath County 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

5/8- x 3/4-Inch Meter

First	2,000 Gallons	\$16.90 Minimum Bill
Next	3,000 Gallons	0.00660 per gallon
Next	5,000 Gallons	0.00517 per gallon
Next	10,000 Gallons	0.00451 per gallon
Next	30,000 Gallons	0.00429 per gallon
Over	50,000 Gallons	0.00417 per gallon

1-Inch Meter

First	10,000 Gallons	\$62.55 Minimum Bill
Next	10,000 Gallons	0.00451 per gallon
Next	30,000 Gallons	0.00429 per gallon
Over	50,000 Gallons	0.00417 per gallon

2-Inch Meter

First	50,000 Gallons	\$236.35 Minimum Bill
Over	50,000 Gallons	0.00417 per gallon

Leak Adjustment Rate 0.00340 per gallon

Wholesale Rates

Sharpsburg Water District	0.00388 per gallon
City of Frenchburg	0.00343 per gallon
City of Owingsville	0.00302 per gallon

Bulk Sales 0.00896 per gallon

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