

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF GREEN-TAYLOR)	2022-00119
WATER DISTRICT)	

ORDER

On April 8, 2022, Green-Taylor Water District (Green-Taylor District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068.

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 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 2020 Annual Report filed with the Commission, Green-Taylor District

reported a water loss of 16.9464 percent.¹ Green-Taylor 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, Green-Taylor District’s unaccounted-for water loss is 14.1788 percent for the updated period.² Green-Taylor District’s total cost of water loss is \$122,132.10.³

Financial Condition and Rates

Based on a review of Commission records, Green-Taylor District has not sought a general base rate adjustment since February 2018. In Case No. 2021-00233, the Commission ordered Green-Taylor District to file an application for a traditional adjustment in rates or an alternative rate adjustment by August 13, 2022.⁴

Green-Taylor District received notification of a wholesale rate increase effective August 1, 2021, from Campbellsville Municipal Water on May 28, 2021.⁵ Seven months passed after the increased rates became effective before Green-Taylor District filed the instant case to pass through the increase to its customers. Green-Taylor District has a

¹ *Annual Report of Green-Taylor District to the Public Service Commission for the Year Ended December 31, 2020* at 58.

² Total Purchases (application PWA Form 1 at 2)	373,688,000
Less Total Sales (application PWA Form 1 at 2)	295,680,758
Less Plant Use (% determined from 2020 Annual Report)	25,022,896
Water Loss – Gallons	52,984,346
Water Loss – Percent	14.1788%

³ Total water cost at new wholesale rate of \$861,371.21 times 0.141788 (total water loss percentage) equals \$122,132.10.

⁴ Case No. 2021-00233, *Electronic Application of the Green-Taylor Water District for the Issuance of a Certificate of Public Convenience and Necessity to Construct and Finance a Water System Improvements Project Pursuant to the Provisions of KRS 278.020, KRS 278.300 and 807 KAR 5:001* (Ky. PSC Aug. 13, 2021).

⁵ Application, Exhibit B-1.

responsibility to use due diligence to ensure financial soundness and to file with the Commission in a timely manner. In Case No. 2019-00041⁶ the Commission found that rural water utilities that fail to increase rates cannot maintain financial integrity over the long-term.⁷

In the final Order in Case No. 2019-00041, the Commission discussed the problems that can occur when utilities intentionally avoid a review of their financial records by relying solely on financing cases to increase rates.⁸ 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.⁹

As documented in annual and audit reports filed with the Commission, Green-Taylor District reported net operating losses for the past four years.¹⁰ It is unclear to the Commission whether Green-Taylor District's base rates are sufficient subsequent to the rate increase authorized in Case No. 2018-00030 without a more detailed analysis of Green-Taylor District's finances than is available in the audit reports.

Due to Green-Taylor District's continued net operating losses into the calendar year 2020 the Commission finds that Green-Taylor District shall comply with the August 13, 2021 Order in Case No. 2021-00233 by filing, on or before August 13, 2022, an

⁶ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019).

⁷ Case No. 2019-00041, (Ky. PSC Nov. 22, 2019) final Order at 7, finding paragraph 5, and Appendix L at 16.

⁸ See Case No. 2019-00041, (Ky. PSC Nov. 22, 2019).

⁹ Case No. 2019-00041, (Ky. PSC Nov. 22, 2019).

¹⁰ For the calendar years 2017–2020, Green-Taylor District reported net losses of \$(382,983), \$(328,302), \$(251,281), and \$(242,465), respectively.

application for a general base rate adjustment or an alternative rate adjustment to ensure that its revenue is sufficient to support adequate and reliable service. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Green-Taylor District from this requirement.

FINDINGS

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

1. Green-Taylor District purchases water from Campbellsville Municipal Water (Campbellsville), Greensburg Water Works (Greensburg), Green River Valley Water District (Green River Valley District), and on an emergency basis from Adair County Water District (Adair District).

2. Campbellsville notified Green-Taylor District on May 28, 2021, that its wholesale rate would increase from \$2.20 per 1,000 gallons to \$2.38 per 1,000 gallons, effective August 1, 2021. Green-Taylor District proposes to increase the water rates to its customers effective May 1, 2022, to reflect the increased cost of purchased water from Campbellsville.

3. Green-Taylor District proposed a purchased water adjustment factor of \$0.09 per 1,000 gallons in its application.

4. During the 12 months ended February 28, 2022, Green-Taylor District purchased 137,162,000 gallons of water from Campbellsville, 199,171,000 gallons of water from Greensburg, and 37,355,000 gallons of water from Green River Valley District. During the same period, Green-Taylor District sold 295,680,758 gallons of water. The

increase in the cost of purchased water is \$24,689.16, resulting in a purchased water adjustment factor of \$0.09 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.09 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and shall be approved, because the water adjustment factor is supported by evidence of the increase in rates from Green-Taylor District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

6. Green-Taylor District's proposed rates are approved.

7. The rates as set forth in Appendix B to this Order are fair, just and reasonable and shall be approved for water service rendered by Green-Taylor District on and after May 1, 2022, because the rates are supported by evidence of the increase in rates from Green-Taylor District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

8. On or before August 13, 2022, Green-Taylor 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.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.09 per 1,000 gallons is approved.

2. The rates proposed by Green-Taylor District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Green-Taylor District on and after May 1, 2022.

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

5. On or before August 13, 2022, Green-Taylor 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. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Green-Taylor District from this requirement.

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

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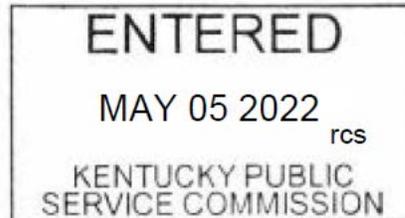
PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman

Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00119 DATED MAY 05 2022

	Base Rate	New Rate	Increased Cost
<u>Campbellsville</u>			
Purchases in Gallons	137,162,000	137,162,000	
Wholesale Rate	<u>\$ 2.20/1,000</u>	<u>\$ 2.38/1,000</u>	
	\$301,756.40	\$326,445.56	\$ 24,689.16
<u>Greensburg</u>			
Purchases in Gallons	199,171,000	199,171,000	
Wholesale Rate	<u>\$2.20/1,000</u>	<u>\$2.20/1,000</u>	
	\$438,176.20	\$438,176.20	No Change
<u>Green River Valley District</u>			
Purchases in Gallons	37,355,000	37,355,000	
Wholesale Rate	<u>\$2.59/1,000</u>	<u>\$2.59/1,000</u>	
	\$96,749.45	\$96,749.45	No Change
Total Gallons Purchased		373,688,000	
Total	\$836,682.05	\$861,371.21	
Increased water cost		\$ 24,689.16	
Divided by Gallons sold/1,000		<u>295,680,758</u>	
Purchased water adjustment factor		\$ 0.0835 per 1,000 Gallons	
		or \$ 0.09 per 1,000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00119 DATED MAY 05 2022

The following rates and charges are prescribed for the customers in the area served by Green-Taylor 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	22.79	Minimum Bill
Next	3,000 Gallons	0.00955	Per Gallon
Next	5,000 Gallons	0.00769	Per Gallon
Over	10,000 Gallons	0.00500	Per Gallon

3/4-Inch Meter

First	3,000 Gallons	32.34	Minimum Bill
Next	2,000 Gallons	0.00955	Per Gallon
Next	5,000 Gallons	0.00769	Per Gallon
Over	10,000 Gallons	0.00500	Per Gallon

1-Inch Meter

First	5,000 Gallons	51.44	Minimum Bill
Next	5,000 Gallons	0.00769	Per Gallon
Over	10,000 Gallons	0.00500	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	89.89	Minimum Bill
Over	10,000 Gallons	0.00500	Per Gallon

2-Inch Meter

First	20,000 Gallons	139.89	Minimum Bill
Over	20,000 Gallons	0.00500	Per Gallon

Leak Adjustment Rate

0.00209	Per Gallon
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Wholesale Rates

Larue County Water District #1
City of Greensburg

0.00298 Per Gallon
0.00259 Per Gallon

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