

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NICHOLAS COUNTY)	2022-00132
WATER DISTRICT)	

ORDER

On April 29, 2022, Nicholas County Water District (Nicholas 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. On May 2, 2022, the Commission notified Nicholas District that its application was rejected for certain filing deficiencies in the customer notice. On May 3, 2022, Nicholas District submitted further documentation to correct the filing deficiencies, and the application was accepted for filing as of May 3, 2022. Although the customer notice deficiency was corrected in one instance, and the filing was accepted by the Commission, the notice still failed to meet the regulatory requirements. The Proposed Rate for the 3-inch meter size’s minimum monthly bill was incorrect. In addition, the Current Wholesale Rate per 1,000 gallons was also incorrect, which caused the Proposed Wholesale Rate per 1,000 gallons to also be incorrect. The Commission formally accepted the May 3, 2022 filing without realizing the continued deficiencies. Nicholas District should publish a notice with corrected approved rates to its customers within 14 days of the date of this Order.

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 rate 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, Nicholas District reported a water loss of 24.3548 percent.¹ Nicholas 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, Nicholas District's unaccounted-for water loss is 19.2714 percent for the updated period.² Reduction of Nicholas District's unaccounted-for water loss to 15 percent would result in an

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

² Total Purchases (application PWA Form 1 at 2)	158,554,194
Less Total Sales (application PWA Form 1 at 2)	89,383,000
Less Plant Use (% determined from 2020 Annual Report)	38,615,557
Water Loss – Gallons	30,555,637
Water Loss – Percent	19.2714%

approximate 64,033.53 decrease to purchased water expense.³ Potentially, Nicholas District is paying approximately \$0.16 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁴ Nicholas District's total water loss expense is \$64,033.53.⁵

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Nicholas District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Nicholas District 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

Nicholas District currently has an Alternative Rate Filing Adjustment (ARF) case filed with the Commission.⁶ This case was filed in response to the Commission Order in Case No. 2020-00145⁷ where the Commission found that lack of insight into Nicholas District's financial records, and deficiencies cited in the January 29, 2020 Periodic

³ Water loss above 15% is 4.2714%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$332,272.35 times water loss above 15 %) equals \$14,192.68.

⁴ Potential purchased water expense reduction divided by sales (\$14,192.68/ (89,383,000/1,000)) equals \$0.16 per 1,000 gallons.

⁵ Total water cost at new wholesale rate of \$332,272.35 times 0.192714 (total water loss percentage) equals \$64,033.53.

⁶ Case No. 2021-00455, *Electronic Application of Nicholas County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (filed Jan. 4, 2022).

⁷ Case No. 2020-00145, *Electronic Purchased Water Adjustment Filing of Nicholas County Water District* (Ky. PSC May 11, 2020).

Compliance Inspection⁸ may indicate that Nicholas District lacked sufficient revenue to support safe, adequate, and reliable service.

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.⁹ 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.¹⁰

FINDINGS

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

1. Nicholas District purchases water from the city of Carlisle (Carlisle), Western Fleming County Water District (Western Fleming District), Kentucky-American Water Company (Kentucky-American Water), and Buffalo Trail Water Association (Buffalo Trail Water).

2. Carlisle notified Nicholas District that its wholesale rate would increase by 33 percent across the board, effective September 30, 2021. On October 20, 2021, an investigation into the reasonableness of Carlisle's proposed wholesale rates was initiated by the Commission and Carlisle's proposed rates were suspended for five months up to

⁸ Case No. 2020-00145, (Ky. PSC May 11, 2020), Order at 2.

⁹ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

¹⁰ Case No. 2019-00041, (Ky. PSC Nov. 22, 2019), final Order.

March 30, 2022.¹¹ On March 29, 2022, the Commission approved Carlisle's proposed rates.¹² Nicholas District proposes to increase the water rates to its customers effective March 29, 2022, to reflect the increased cost of purchased water from Carlisle.

3. Nicholas District proposed a purchased water adjustment factor of \$0.41 per 1,000 gallons in its application.

4. During the 12 months ended March 31, 2022, Nicholas District purchased 71,591,800 gallons of water from Carlisle, 86,146,000 gallons of water from Western Fleming District, 309,494 gallons of water from Kentucky-American Water, and 506,900 gallons of water from Buffalo Trail Water. During the same period, Nicholas District sold 89,383,000 gallons of water. The increase in the cost of purchased water is \$35,931.38, resulting in a purchased water adjustment factor of \$0.41 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.41 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 Nicholas District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

6. Nicholas District's proposed rates shall be denied.

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 Nicholas District on and after March 29, 2022, because the rates are supported by evidence of the increase in

¹¹ Case No. 2021-00382, *Electronic Investigation into Wholesale Water Rates Charged by the City of Carlisle to Sharpsburg Water District and Nicholas County Water District Pursuant to KRS 278.200, KRS 278.160, KRS 278.180, KRS 278.190 and KAR 5:011* (Ky. PSC Oct. 20, 2021).

¹² Case No. 2021-00382, (Ky. PSC Mar. 29, 2022).

rates from Nicholas District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

8. Within 14 days from the date of this Order, Nicholas District should publish a corrected Customer Notice with the rates set forth in Appendix B.

9. Nicholas District should provide proof of publication of the notice to the Commission no later than 20 days from the date of this Order.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.41 per 1,000 gallons is approved.

2. The rates proposed by Nicholas District are denied.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Nicholas District on and after March 29, 2022.

4. Within 14 days from the date of this Order, Nicholas District shall publish a corrected Customer Notice with the rates as set forth in Appendix B.

5. Nicholas District shall provide proof of publication of the notice to the Commission no later than 20 days from the date of this Order. The Commission directs Nicholas District to the Commission's July 22, 2021 Order in Case No. 2020-00085¹³ regarding filings with the Commission.

¹³ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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

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

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PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman

Commissioner

ENTERED
MAY 18 2022
rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00132 DATED MAY 18 2022

	Base Rate	New Rate	Increase
<u>Carlisle</u>			
Purchases	71,591,800	71,591,800	
Wholesale rate	<u>see below</u>	<u>see below</u>	
	\$109,227.42 ¹⁴	\$145,158.80 ¹⁵	\$35,931.38
<u>Western Fleming District</u>			
Purchases	86,146,000	86,146,000	
Wholesale rate	<u>\$2.14/1,000</u>	<u>\$2.14/1,000</u>	
	\$184,352.44	\$184,352.44	No Change
<u>Kentucky-American Water</u>			
Purchases	309,494	309,494	
Wholesale rate	<u>\$4.532/1,000</u>	<u>\$4.532/1,000</u>	
	\$1,402.63	\$1,402.63	No Change
<u>Buffalo Trail Water</u>			
Purchases	506,900	506,900	
Wholesale rate	<u>\$2.68/1,000</u>	<u>\$2.68/1,000</u>	
	\$1,358.49	\$1,358.49	No Change
Increased water cost			\$ 35,931.38

¹⁴ Base

First 1,000 gallons	\$11.21	12,000	\$134.52
Next 4,000 gallons	3.82	48,000	183.36
Next 5,000 gallons	2.95	60,000	177.00
Next 5,000 gallons	2.05	60,000	123.00
Next 10,000 gallons	1.90	120,000	228.00
Next 25,000 gallons	1.58	300,000	474.00
All over 50,000 gallons	1.52	70,991,800	<u>107,907.54</u>
TOTAL			\$109,227.42

¹⁵ New Rate

First 1,000 gallons	\$14.91	12,000	\$ 178.92
Next 4,000 gallons	5.08	48,000	243.84
Next 5,000 gallons	3.92	60,000	235.20
Next 5,000 gallons	2.73	60,000	163.80
Next 10,000 gallons	2.53	120,000	303.60
Next 25,000 gallons	2.10	300,000	630.00
All over 50,000 gallons	2.02	70,991,800	<u>143,403.44</u>
TOTAL			\$145,158.80

Increased water cost	\$ 35,931.38
Divided by Gallons sold/1,000	<u>89,383,000</u>
Purchased water adjustment factor	\$ 0.4020 per 1,000 Gallons
	or \$ 0.41 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00132 DATED MAY 18 2022

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

5/8 X 3/4-Inch Meter

First	1,000 Gallons	\$15.38	Minimum Bill
Next	2,000 Gallons	0.00771	Per Gallon
Next	2,000 Gallons	0.00646	Per Gallon
Next	5,000 Gallons	0.00531	Per Gallon
Next	15,000 Gallons	0.00486	Per Gallon
Over	25,000 Gallons	0.00463	Per Gallon

1-Inch Meter

First	3,000 Gallons	\$30.80	Minimum Bill
Next	2,000 Gallons	0.00646	Per Gallon
Next	5,000 Gallons	0.00531	Per Gallon
Next	15,000 Gallons	0.00486	Per Gallon
Over	25,000 Gallons	0.00463	Per Gallon

1 1/2-Inch Meter

First	5,000 Gallons	\$43.72	Minimum Bill
Next	5,000 Gallons	0.00531	Per Gallon
Next	15,000 Gallons	0.00486	Per Gallon
Over	25,000 Gallons	0.00463	Per Gallon

2-Inch Meter

First	10,000 Gallons	\$70.27	Minimum Bill
Next	15,000 Gallons	0.00486	Per Gallon
Over	25,000 Gallons	0.00463	Per Gallon

3-Inch Meter

First	15,000 Gallons	\$94.57	Minimum Bill
Next	10,000 Gallons	0.00486	Per Gallon
Over	25,000 Gallons	0.00463	Per Gallon

4-Inch Meter

First	25,000 Gallons	\$143.17	Minimum Bill
Over	25,000 Gallons	0.00463	Per Gallon

Wholesale Rates

Harrison County Water Association	0.00343	Per Gallon
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*Jason Pennell
Kentucky Rural Water Association
Post Office Box 1424
1151 Old Porter Pike
Bowling Green, KENTUCKY 42102-1424

*Nicholas County Water District
1639 Old Paris Road
Carlisle, KY 40311

*Monica Pryor
Office Manager
Nicholas County Water District
1639 Old Paris Road
Carlisle, KY 40311