

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NORTH SHELBY)	2022-00154
WATER COMPANY)	

ORDER

The Commission, on its own motion, finds that this case should be reopened to correct the wholesale water rate increase approved in an Order entered on June 24, 2022. The approved rate was based on a material omission of facts provided by North Shelby Water Company (North Shelby Water). On June 1, 2022, North Shelby Water filed an application for an adjustment to its rates due to an increase in the cost of water purchased from Shelbyville Municipal Water & Sewer Commission (Shelbyville) and Louisville Water Company (Louisville Water). In the June 24, 2022 Order, the Commission approved a purchased water rate adjustment (PWA) pursuant to KRS 278.012 and 807 KAR 5:068. According to the information provided by North Shelby Water, the rate increase from North Shelby Water's supplier, Shelbyville, was effective on June 19, 2022.¹ The rates approved in the June 24, 2022 Order were based on a supplier increase from Louisville Water as well as a supplier increase from Shelbyville.²

LEGAL STANDARD

¹ Application, Exhibit C.

² Application, Exhibit B.

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. 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. KRS 278.012(2) provides that the Commission shall approve the filing by order after the above documents are filed.

Pursuant to KRS 278.012(2), a water association can increase its rates commensurate with an increase from its wholesale supplier, but the Commission regulation setting forth how this is to be accomplished, 807 KAR 5:068, Section 4(2)(b), provides that the application for such an increase shall be submitted no earlier than 30 days prior to the effective date of the increase. Pursuant to KRS 278.012, new rates must be approved based upon correct information or they can have no legal effect.

DISCUSSION AND FINDINGS

In a different proceeding at the Commission,³ Commission Staff became aware that the proposed rate increase from Shelbyville is to be effective July 19, 2022, and not June 19, 2022, as stated in the application. From this other proceeding, Commission Staff learned that North Shelby Water received a corrected notice from Shelbyville but failed to correct the effective date in this case. Pursuant to 807 KAR 5:068, Section 4(2)(b), “the application shall be submitted, no earlier than thirty (30) days prior to the proposed effective date of the supplier’s changed rate . . . to reflect the change in its

³ TFS 2022-00294 (Ky. PSC filed June 9, 2022) Shelbyville filed a tariff for review by the Commission increasing wholesale water rates to North Shelby Water effective July 19, 2022.

purchased water costs due to the supplier's changed rate." North Shelby Water submitted its PWA application on June 1, 2022. The effective date for the Shelbyville wholesale rate increase is July 19, 2022, which is 48 days beyond June 1, 2022. The earliest date that North Shelby Water should have submitted a PWA application to pass-through the Shelbyville rates is June 20, 2022. Commission regulation 807 KAR 5:068, Section 4(2)(b) is clear that 30 days prior to the effective supplier increase is the earliest that a PWA application can be submitted. As such, the supplier rate increase from Shelbyville may not be passed on by North Shelby Water to its customers.

Because North Shelby Water failed to correct the effective date of the supplier rate increase, the new rates requested by North Shelby Water could not be processed pursuant to KRS 278.012.

The Commission finds that it cannot approve the rate increase proposed by North Shelby Water that is commensurate with an increase in the wholesale rates of Shelbyville. The rates and effective date as they appeared in the application must be denied. The Commission further finds that North Shelby Water should file a PWA application should the supplier rates of Shelbyville be approved by the Commission.

The Commission finds that the rates approved in the June 24, 2022 Order were based on a supplier increase from Louisville Water and a supplier increase from Shelbyville. The rate increase proposed by Shelbyville has not yet been ruled on by the Commission. Therefore, the Commission finds that the PWA rate factor from the June 24, 2022 Order must be recalculated to include only the supplier increase from Louisville,⁴

⁴ TFS 2022-00161 (Ky. PSC filed Mar. 30, 2022); the tariff was accepted for filing by the Commission by letter dated June 24, 2022.

which has an effective date of July 1, 2022.⁵ The Commission finds that any over-collection by North Shelby Water to its customers of the Shelbyville increase must be refunded, with a filing to post case correspondence explaining the method of refund.

The Commission finds that the June 24, 2022 Order should be amended in the following ways: The language on page 2, “total water loss is \$188,373.22” should be stricken and replaced with, “total water loss is \$187,287.94”⁶. The language in finding paragraph 4, “The increase in the cost of purchased water is \$26,669.16, resulting in a purchased water adjustment factor of \$0.07 per 1,000 gallons.” should be stricken and replaced with, “The increase in the cost of purchased water is \$18,954.96, resulting in a purchased water adjustment factor of \$0.05 per 1,000 gallons.” The language in finding paragraph 5, “The purchased water adjustment factor of \$0.07 per 1,000 gallons” should be stricken and replaced with “The purchased water adjustment factor of \$0.05 per 1,000 gallons”. North Shelby Water should refund customers any overcharges incurred in applying the rates from the June 24, 2022 Order.

IT IS THEREFORE ORDERED that:

1. The language on page 2 of the June 24, 2022 Order, “total water loss is \$188,373.22” shall be stricken and replaced with, “total water loss is \$187,287.94”.
2. Ordering paragraph 1 of the June 24, 2022 Order is stricken and replaced with the following language:
 - a. The purchased water adjustment factor of \$0.05 per 1,000 gallons is approved.

⁵ Application, Exhibit B.

⁶ Total water cost at new wholesale rate of \$1,331,247.90 x 14.0686% water loss = \$187,287.94.

3. Ordering paragraph 2 of the June 24, 2022 Order is stricken and replaced with the following language:

a. North Shelby Water's proposed rates are denied.

4. Appendix A of the June 24, 2022 Order is stricken and replaced with the Appendix A to this Order.

5. Appendix B of the June 24, 2022 Order is stricken and replaced with the Appendix B to this Order.

6. North Shelby Water shall refund customers any overcharges incurred in applying the rates from the June 24, 2022 Order and file a Post Case Memorandum explaining how this was done.

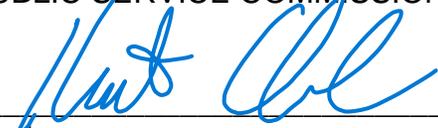
7. North Shelby Water shall file a purchased water adjustment should the supplier rates of Shelbyville be approved by the Commission.

8. All other provisions of the Commission's June 24, 2022 Order that are not in conflict with the terms of this Order shall remain in effect.

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

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

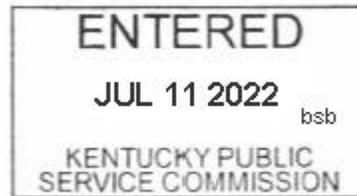
PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman

Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00154 DATED JUL 11 2022

	Base Rate	New Rate	Change
<u>Louisville Water</u>			
Purchases in Gallons	329,576,000	329,576,000	
Rate per 1,000 Gallons	<u>\$ 2.46/1,000</u>	<u>\$ 2.55/1,000</u>	
Sub-total	\$810,756.96	\$840,418.80	\$29,661.84
Months	12	12	
Monthly Service Charge	<u>\$1,493.20</u>	<u>\$ 600.96</u>	
Sub-total	\$17,918.40	\$ 7,211.52	\$(10,706.88)
<u>Shelbyville</u>			
Purchases in Gallons	128,570,000	128,570,000	
Wholesale rate	<u>\$2.29/1,000</u>	<u>\$2.29/1,000</u>	
Sub-total	\$ 294,425.30	\$294,425.30	no change
<u>Frankfort Plant Board</u>			
Purchases in Gallons	66,617,000	66,617,000	
Rate per 1,000 Gallons	<u>\$2.84/1,000</u>	<u>\$2.84/1,000</u>	no change
Sub-total	\$189,192.28	\$189,192.28	
Total	\$1,312,292.94	\$1,331,247.90	\$18,954.96
Increased water cost		\$ 18,954.96	
Increased water cost		\$ 18,954.96	
Divided by Gallons sold/1000		<u>430,501,900</u>	
Purchased water adjustment factor		\$ 0.0440 per 1,000 Gallons	
		or \$ 0.05 per 1,000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00154 DATED JUL 11 2022

The following rates and charges are prescribed for the customers in the area served by North Shelby Water Company. 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	\$22.98 Minimum Bill
Next	3,000 Gallons	.00779 per gallon
Next	5,000 Gallons	.00641 per gallon
Next	40,000 Gallons	.00572 per gallon
Over	50,000 Gallons	.00504 per gallon

1-Inch Meter

First	5,000 Gallons	\$46.35 Minimum Bill
Next	5,000 Gallons	.00641 per gallon
Next	40,000 Gallons	.00572 per gallon
Over	50,000 Gallons	.00504 per gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$78.40 Minimum Bill
Next	40,000 Gallons	.00572 per gallon
Over	50,000 Gallons	.00504 per gallon

2-Inch Meter

First	15,000 Gallons	\$107.00 Minimum Bill
Next	35,000 Gallons	.00572 per gallon
Over	50,000 Gallons	.00504 per gallon

3-Inch Meter

First	35,000 Gallons	\$221.40 Minimum Bill
Next	15,000 Gallons	.00572 per gallon
Over	50,000 Gallons	.00504 per gallon

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Lawrenceburg, KENTUCKY 40342

*North Shelby Water Company
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P. O. Box 97
Bagdad, KY 40003