

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF BREATHITT COUNTY	)	2022-00194
WATER DISTRICT	)	

ORDER

On June 24, 2022, Breathitt County Water District (Breathitt 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 due to a rate increase from Breathitt District's wholesale water supplier, the city of Jackson, Kentucky (Jackson).

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 AND FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Breathitt District purchases water from Jackson and the city of Campton (Campton). The Commission finds that Jackson notified Breathitt District that its wholesale rate would increase from \$3.92 per 1,000 gallons to \$4.04 per 1,000 gallons,

effective July 1, 2022.<sup>1</sup> Breathitt District proposed to increase the water rates to its customers effective July 1, 2022, to reflect the increased cost of purchased water from Jackson.

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 2021 Annual Report filed with the Commission, Breathitt District reported a water loss of 12.0241 percent.<sup>2</sup> Breathitt District's application provides updated purchase and sales information for a more current period than the 2021 Annual Report. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2021 Annual Report, Breathitt District's unaccounted-for water loss is 12.7226 percent for the updated period.<sup>3</sup> The cost of Breathitt District's total water loss is \$43,268.84.<sup>4</sup> Breathitt District's water loss is within 15 percent of its total water purchased and meets the standard in 807 KAR 5:066, Section 6(3). The Commission recommends that Breathitt District continue its efforts to reduce

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<sup>1</sup> TFS 2022-00272 (Ky. PSC filed May 31, 2022); the tariff was accepted for filing by the Commission by letter dated June 24, 2022.

<sup>2</sup> *Annual Report of Breathitt District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

<sup>3</sup> Total Purchases (application PWA Form 1 at 2)	84,199,500
Less Total Sales (application PWA Form 1 at 2)	69,267,000
Less Plant Use (5.0121% determined from 2021 Annual Report)	4,220,163
Water Loss – Gallons	10,712,337
Water Loss – Percent	12.7226%

<sup>4</sup> Total water cost at new wholesale rate of \$340,094.34 times 12.7226 percentage water loss equals \$43,268.84.

unaccounted-for water loss and the utility remain informed about the cost of its unaccounted-for water loss.

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.<sup>5</sup> 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.<sup>6</sup> The Commission noted its concern for Breathitt District's financial condition in its November 5, 2020 Order in a case filed for a certificate for public convenience and necessity.<sup>7</sup> Breathitt District was later found in violation of a Commission Order for failing to file an application for traditional adjustment in rates or an alternative rate adjustment within one year of the Commission's November 5, 2020 Order in Case No. 2020-00218.<sup>8</sup> Breathitt District tendered an application for an alternative rate adjustment (ARF) on June 13, 2022, and a subsequent notice of deficiency was issued, therefore that case has not yet been accepted for filing.<sup>9</sup>

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

<sup>6</sup> See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

<sup>7</sup> See Case No. 2020-00218, *Electronic Application of Breathitt County Water District for the issuance of a Certificate of Public Convenience and Necessity to Construct a Water Improvements Project Pursuant to the provisions of KRS 278.020 and 807 KAR 5:001* (Ky. PSC Nov. 5, 2020).

<sup>8</sup> See Case No. 2020-00218, *Electronic Application of Breathitt County Water District for the issuance of a Certificate of Public Convenience and Necessity to Construct a Water Improvements Project Pursuant to the provisions of KRS 278.020 and 807 KAR 5:001* (Ky. PSC Nov. 17, 2021).

<sup>9</sup> Case No. 2022-00136, *Electronic Application of Breathitt County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*.

Breathitt District filed a request for an extension of time to respond to the deficiency;<sup>10</sup> a decision on the request is pending.

In its application, Breathitt District proposed a purchased water adjustment factor of \$0.15 per 1,000 gallons in its application. During the 12 months ended May 31, 2022, Breathitt District purchased 84,100,000 gallons of water from Jackson, 99,500 gallons of water from Campton, and sold 69,267,000 gallons of water to its customers. The increase in the cost of purchased water is \$10,092, resulting in a purchased water adjustment factor of \$0.15 per 1,000 gallons. The purchased water adjustment factor of \$0.15 per 1,000 gallons, as calculated in Appendix A and the rates set forth in Appendix B to this Order, is fair, just and reasonable and shall be approved for water service rendered by Breathitt District on and after July 1, 2022. The water adjustment factor is supported by evidence of the increase in rates from Breathitt District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.15 per 1,000 gallons is approved.
2. The rates proposed by Breathitt District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Breathitt District on and after July 1, 2022.

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<sup>10</sup> Case No. 2022-00136, *Breathitt County Water District* (filed July 11, 2022), Letter Requesting Extension of Time.

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

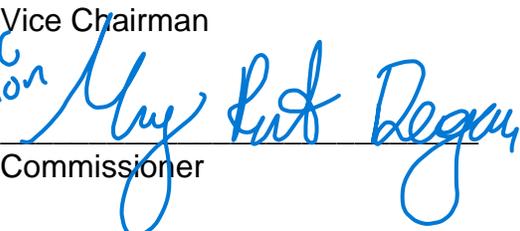
5. This case is closed and removed from the Commission's docket.

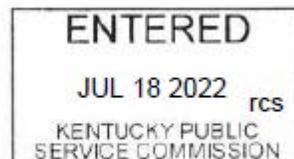
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PUBLIC SERVICE COMMISSION

  
Chairman

Vice Chairman

*by KAC  
w/permission*  
  
Commissioner



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00194 DATED JUL 18 2022

	Base Rate	New Rate	Increase
Jackson			
Purchases in gallons	84,100,000	84,100,000	
Wholesale rate	<u>\$ 3.92/1,000</u>	<u>\$ 4.04/1,000</u>	
Sub-Total	\$329,672.00	\$339,764.00	\$10,092.00
Campton			
Purchases in gallons	99,500	99,500	
Wholesale rate	<u>\$ 3.32/1,000</u>	<u>\$ 3.32/1,000</u>	
Sub-Total	330.34	330.34	no change
Total	\$330,002.34	\$340,094.34	

Increased water cost	\$ 10,092.00
Increased water cost	\$ 10,092.00
Divided by gallons sold/1,000	<u>69,267,000</u>
Purchased water adjustment factor	\$ 0.1457 per 1,000 Gallons

or \$ 0.15 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00194 DATED JUL 18 2022

The following rates and charges are prescribed for the customers in the area served by Breathitt 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-inch x 3/4-inch Meter

First	2,000 Gallons	\$ 29.95	Minimum Bill
Over	2,000 Gallons	0.01498	per gallon

<u>Leak Adjustment Rate</u>	0.00908	per gallon
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Wholesale Rates

Village of Buckhorn	0.00618	per gallon
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Kentucky Mountain Bible College

First	10,000 Gallons	\$ 149.76	Minimum Bill
Next	190,000 Gallons	0.00911	per gallon
Over	200,000 Gallons	0.00772	per gallon

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