

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF WEST SHELBY)	2022-00198
WATER DISTRICT)	

ORDER

On June 29, 2022, West Shelby Water District (West Shelby 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 July 6, 2022, the Commission notified West Shelby District that its application was rejected for certain deficiencies. On July 6, 2022, West Shelby District submitted further documentation to correct the filing deficiencies, and the application was accepted for filing as of July 6, 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 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 AND FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that West Shelby District purchases water from Louisville Water

Company (Louisville Water) and Shelbyville Municipal Water System (Shelbyville). The Commission finds that Louisville Water notified West Shelby District that its wholesale volumetric rate would increase from \$2.46 per 1,000 gallons to \$2.55 per 1,000 gallons, and the meter service charge would decrease from \$1,462.10 to \$588.44 per month, effective July 1, 2022.¹ Shelbyville notified West Shelby District that its wholesale rate would increase from \$2.38 per 1,000 gallons to \$2.44 per 1,000 gallons, effective July 19, 2022.² West Shelby District proposes to increase the water rates to its customers effective July 19, 2022, to reflect the increased cost of purchased water from Louisville Water and Shelbyville.

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, West Shelby District reported a water loss of 16.1467 percent.³ West Shelby 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, West Shelby District's unaccounted-for water loss is 12.8699 percent for the updated period.⁴ The cost of West

¹ TFS 2022-00162 (Ky. PSC June 24, 2022); the tariff tendered to the Commission on March 30, 2022, and was accepted for filing by the Commission by letter dated June 24, 2022 with an effective date of July 1, 2022.

² TFS 2022-00296 (Ky. PSC July 12, 2022); the tariff tendered to the Commission on June 9, 2022, and was accepted for filing by the Commission by letter dated July 12, 2022 with an effective date of July 19, 2022.

³ Annual Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2021, at 58.

⁴ Total Purchases (application PWA Form 1 at 2)

311,164,100

Shelby District’s total water loss is \$102,187.46.⁵ West Shelby 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 West Shelby District continue its efforts to reduce 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.⁶ 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.⁷

Based upon a review of the annual and audit reports filed with the Commission, West Shelby District’s most recent rate case concluded on February 24, 2022,⁸ with an approval from the Commission for a rate increase of 10.09 percent or \$162,049 increase in customer rates.⁹

Less Total Sales (application PWA Form 1 at 2)	269,863,780
Less Plant Use (0.4029% determined from 2021 Annual Report)	1,253,680
Water Loss – Gallons	40,046,640
Water Loss – Percent	12.8699%

⁵ Total water cost at new wholesale rate of \$794,003.53 times 12.8699 percentage water loss equals \$102,187.46.

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

⁷ See Case No. 2019-00041, Final Order.

⁸ Case No. 2021-00241, *Electronic Application of West Shelby Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Feb. 24, 2022).

⁹ Case No. 2021-00241, Final Order.

In its application, West Shelby District proposed a purchased water adjustment factor of \$0.03 per 1,000 gallons in its application, which was based on incorrect calculations.¹⁰ West Shelby submitted calculations in Exhibit E, PWA calculations 2022, on July 6, 2022, which used an incorrect amount of \$1,412.66 rather than the correct amount of \$1,462.10, for the Louisville Water current customer charge.¹¹ In addition to this error, the Louisville Water customer charge was added twice in the calculations of both the current and new Total Wholesale Cost of Water, which led to an incorrect Increased Water Cost of \$6,443.61, which led to an incorrect Purchased Water Adjustment Factor of \$0.03 per 1,000 gallons.¹² During the 12 months ended April 30, 2022, West Shelby District purchased 251,835,000 gallons of water from Louisville Water, 59,329,100 gallons of water from Shelbyville and sold 269,863,780 gallons of water to its customers. The increase in the cost of purchased water is \$15,740.97, resulting in a purchased water adjustment factor of \$0.06 per 1,000 gallons. The purchased water adjustment factor of \$0.06 per 1,000 gallons, as calculated in Appendix A to this Order, and 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 West Shelby District on and after July 19, 2022. The purchased water adjustment factor is supported by evidence of the increase in rates from West Shelby District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

¹⁰ Exhibit_E_PWA_Calculations_2022.xls (filed July 6, 2022).

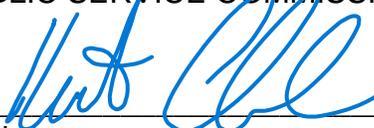
¹¹ Exhibit_E_PWA_Calculations_2022.xls (filed July 6, 2022).

¹² Exhibit_E_PWA_Calculations_2022.xls (filed July 6, 2022).

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 West Shelby District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by West Shelby District on and after July 19, 2022.
4. Within 20 days of the date of entry of this Order, West Shelby 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.

PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman



Commissioner

ENTERED
JUL 26 2022 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00198 DATED JUL 26 2022

	Base Rate	New Rate	Increase
Louisville Water			
Purchases in Gallons	251,835,000	251,835,000	
Rate per 1,000 Gallons	<u>\$ 2.46/1000</u>	<u>\$ 2.55/1000</u>	
Sub-total	\$619,514.10	\$642,179.25	\$ 22,665.15
Months	12	12	
Monthly Service Charge	<u>\$1,462.10</u>	<u>\$ 588.44</u>	
Sub-total	\$17,545.20	\$ 7,061.28	\$(10,483.92)
Shelbyville			
Purchases in Gallons	59,329,100	59,329,100	
Wholesale rate	<u>\$2.38/1000</u>	<u>\$2.44/1000</u>	
Sub-total	\$ 141,203.26	\$144,763.00	\$ 3,559.74
Total	\$778,262.56	\$794,003.53	\$15,740.97
Increased water cost		\$ 15,740.97	
Increased water cost		\$ 15,740.97	
Divided by Gallons sold/1000		<u>269,863,780</u>	
Purchased water adjustment factor		\$ 0.05833 per 1000 Gallons	
		or \$ 0.06 per 1000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00198 DATED JUL 26 2022

The following rates and charges are prescribed for the customers in the area served by West Shelby 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	2,500 Gallons	\$20.52 Minimum Bill
Next	7,500 Gallons	.00618 per gallon
Next	20,000 Gallons	.00583 per gallon
Next	200,000 Gallons	.00538 per gallon
Over	230,000 Gallons	.00493 per gallon

3/4-Inch Meter

First	3,500 Gallons	\$ 26.69 Minimum Bill
Next	6,500 Gallons	.00618 per gallon
Next	20,000 Gallons	.00583 per gallon
Next	200,000 Gallons	.00538 per gallon
Over	230,000 Gallons	.00493 per gallon

1-Inch Meter

First	5,000 Gallons	\$ 35.93 Minimum Bill
Next	5,000 Gallons	.00618 per gallon
Next	20,000 Gallons	.00583 per gallon
Next	200,000 Gallons	.00538 per gallon
Over	230,000 Gallons	.00493 per gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$ 66.82 Minimum Bill
Next	20,000 Gallons	.00583 per gallon
Next	200,000 Gallons	.00538 per gallon
Over	230,000 Gallons	.00493 per gallon

2-Inch Meter

First	16,000 Gallons	\$ 101.77 Minimum Bill
Next	14,000 Gallons	.00583 per gallon
Next	200,000 Gallons	.00538 per gallon
Over	230,000 Gallons	.00493 per gallon

3-Inch Meter

First	30,000 Gallons	\$ 183.34 Minimum Bill
Next	200,000 Gallons	.00538 per gallon
Over	230,000 Gallons	.00493 per gallon

4-Inch Meter

First	50,000 Gallons	\$ 290.83 Minimum Bill
Next	180,000 Gallons	.00538 per gallon
Over	230,000 Gallons	.00493 per gallon

6-Inch Meter

First	100,000 Gallons	\$ 559.55 Minimum Bill
Next	130,000 Gallons	.00538 per gallon
Over	230,000 Gallons	.00493 per gallon

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