

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF WARREN COUNTY)	2022-00232
WATER DISTRICT)	

ORDER

On August 5, 2022, Warren County Water District (Warren 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 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

Warren District purchases water from Bowling Green Municipal Utilities (Bowling Green). Bowling Green notified Warren District that its wholesale rate would increase as follows: (1) from \$2.3168 per 1,000 gallons to \$2.5265 per 1,000 gallons at the Southside metering point, (2) from \$1.9900 per 1,000 gallons to \$2.3135 per 1,000 gallons at the Cemetery Road metering point, (3) from \$2.0510 per 1,000 gallons to \$2.4086 per 1,000

gallons at the Morgantown Road metering point, and (4) from \$2.0764 per 1,000 gallons to \$2.3731 per 1,000 gallons at the Northside metering point, effective September 1, 2022.¹ Warren District proposes to increase the water rates to its customers effective September 1, 2022, to reflect the increased cost of purchased water from Bowling Green.

1. 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 2021 Annual Report filed with the Commission, Warren District reported a water loss of 12.9562 percent.² Warren 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, Warren District's unaccounted-for water loss is 13.0651 percent for the updated period.³ Warren District's total water loss expense equals \$1,015,746.50.⁴

2. Financial Condition and Rates. Based on a review of Commission records, Warren District's only rate increases have occurred as a condition for federal financing of

¹ TFS 2022-00387 (Ky. PSC July 27, 2022); Bowling Green submitted the tariff on July 27 2022, and the tariff was accepted for filing by the Commission by letter dated August 8, 2022, with an effective date of September 1, 2022.

² *Annual Report of Warren District to the Public Service Commission for the Year Ended December 31, 2021* at 58.

³ Total Purchases (application PWA Form 1 at 2)	3,323,655,710
Less Total Sales (application PWA Form 1 at 2)	2,863,862,000
Less Plant Use (% determined from 2021 Annual Report)	25,555,589
Water Loss – Gallons	434,238,121
Water Loss – Percent	13.0651%

⁴ Total water cost at new wholesale rate of \$7,774,502.32 times 0.130651 (total water loss percentage) equals \$1,015,746.50.

a construction project in accordance with KRS 278.023, other financing cases, nonrecurring charges, or wholesale rate adjustment cases. As a result, Warren District has avoided comprehensive review by the Commission of Warren District's financial records and operational structure for many years. In Case No. 2021-00007,⁵ the Commission ordered Warren District to file a general rate case application pursuant to KRS 278.180 and 807 KAR 5:001, Section 16, within three years of the date of filing of the Order, or, in the alternative, file a formal motion with a detailed analysis of its rates and state the reasons why no modifications are necessary by March 24, 2024.⁶

3. 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.⁷ 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.⁸

Purchased Water Rate Increase.

In its application, Warren District proposed a purchased water adjustment factor of \$0.37 per 1,000 gallons. During the 12 months ended May 31, 2022, Warren District purchased 28,000 gallons of water from the Southside metering point, 2,048,522,044 gallons of water from the Cemetery Road metering point, 259,790,752 gallons of water

⁵ Case No. 2021-00007, *Electronic Application of Warren County Water District to Issue Securities in the Approximate Principal Amount of \$3,735,000 for the Purpose of Refunding and Reamortizing Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Mar. 24, 2021), final Order.

⁶ Case No. 2021-00007, Mar. 24, 2021 final Order.

⁷ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final order.

⁸ See Case No. 2019-00041, Nov. 22, 2019 final Order.

from the Morgantown Road metering point, and 1,015,314,914 gallons of water from the Northside metering point. Warren District sold 2,863,862 gallons of water to its customers. The increase in the cost of purchased water from Bowling Green is \$1,056,847.86 resulting in a purchased water adjustment factor of \$0.37 per 1,000 gallons. The purchased water adjustment factor of \$0.37 per 1,000 gallons, as calculated in Appendix A 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 Warren District on and after September 1, 2022, because the rates are supported by evidence of the increase in rates from Warren District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278. 015.

On or before March 24, 2024, Warren District shall comply with the March 24, 2021 Order in Case No. 2021-00007,⁹ and file a general rate case application pursuant to KRS 278.180 and 807 KAR 5:001, Section 16, or, in the alternative, file a formal motion with a detailed analysis of its rates and state the reasons why no modifications are necessary.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.37 per 1,000 gallons is approved.
2. The rates proposed by Warren District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Warren District on and after September 1, 2022.

⁹ Case No. 2021-00007, Mar. 24, 2021 final Order.

4. Within 20 days of the date of service of this Order, Warren 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 March 24, 2024, Warren District shall comply with the March 24, 2021 Order in Case No. 2021-00007,¹⁰ and file a general rate case application pursuant to KRS 278.180 and 807 KAR 5:001, Section 16, or, in the alternative, file a formal motion with a detailed analysis of its rates and state the reasons why no modifications are necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Warren District from this requirement.

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

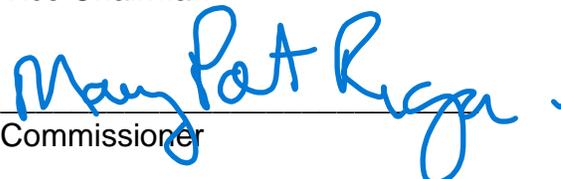
¹⁰ Case No. 2021-00007, Mar. 24, 2021 final Order.

PUBLIC SERVICE COMMISSION

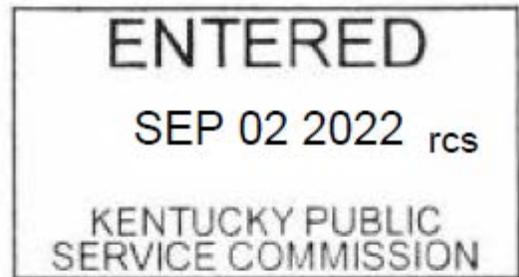


Chairman

Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00232 DATED SEP 02 2022

	Base Rate	New Rate	Increased Cost
<u>Bowling Green</u>			
Southside Metering Point			
Purchases in Gallons	28,000	28,000	
Wholesale Rate	<u>\$ 2.3168/1,000</u>	<u>\$ 2.5265/1,000</u>	
	\$64.87	\$70.74	\$ 5.87
Cemetery Road Metering Point			
Purchases in Gallons	2,048,522,044	2,048,522,044	
Wholesale Rate	<u>\$1.99/1,000</u>	<u>\$2.3135/1,000</u>	
	\$4,076,558.87	\$4,739,255.75	\$662,696.88
Morgantown Road Metering Point			
Purchases in Gallons	259,790,752	259,790,752	
Wholesale Rate	<u>\$2.0510/1,000</u>	<u>\$2.4086/1,000</u>	
	\$532,830.83	\$625,732.01	\$92,901.18
Northside Metering Point			
Purchases in Gallons	1,015,314,914	1,015,314,914	
Wholesale Rate	<u>\$2.0764/1,000</u>	<u>\$2.3731/1,000</u>	
	\$2,108,199.89	\$2,409,443.82	\$ 301,243.93
Total Gallons Purchased		3,323,655,710	
Total	\$6,717,654.46	\$7,774,502.32	\$1,056,847.86
Increased water cost		\$ 1,056,847.86	
Divided by Gallons sold/1000		<u>2,863,862,000</u>	
Purchased water adjustment factor		\$ 0.3690 per 1,000 Gallons	
		or \$ 0.37 per 1,000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00232 DATED SEP 02 2022

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

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$14.16	Minimum Bill
Next	8,000 Gallons	0.00491	Per Gallon
Next	90,000 Gallons	0.00424	Per Gallon
Next	900,000 Gallons	0.00379	Per Gallon
Over	1,000,000 Gallons	0.00345	Per Gallon

3/4-Inch Meter

First	3,000 Gallons	\$19.07	Minimum Bill
Next	7,000 Gallons	0.00491	Per Gallon
Next	90,000 Gallons	0.00424	Per Gallon
Next	900,000 Gallons	0.00379	Per Gallon
Over	1,000,000 Gallons	0.00345	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$29.32	Minimum Bill
Next	5,000 Gallons	0.00491	Per Gallon
Next	90,000 Gallons	0.00424	Per Gallon
Next	900,000 Gallons	0.00379	Per Gallon
Over	1,000,000 Gallons	0.00345	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$56.47	Minimum Bill
Next	90,000 Gallons	0.00424	Per Gallon
Next	900,000 Gallons	0.00379	Per Gallon
Over	1,000,000 Gallons	0.00345	Per Gallon

2-Inch Meter

First	15,000 Gallons	\$78.31	Minimum Bill
Next	85,000 Gallons	0.00424	Per Gallon
Next	900,000 Gallons	0.00379	Per Gallon

Over	1,000,000 Gallons	0.00345	Per Gallon
<u>3-Inch Meter</u>			
First	20,000 Gallons	\$111.15	Minimum Bill
Next	80,000 Gallons	0.00424	Per Gallon
Next	900,000 Gallons	0.00379	Per Gallon
Over	1,000,000 Gallons	0.00345	Per Gallon
<u>4-Inch Meter</u>			
First	30,000 Gallons	\$180.28	Minimum Bill
Next	70,000 Gallons	0.00424	Per Gallon
Next	900,000 Gallons	0.00379	Per Gallon
Over	1,000,000 Gallons	0.00345	Per Gallon
<u>6-Inch Meter</u>			
First	50,000 Gallons	\$279.73	Minimum Bill
Next	50,000 Gallons	0.00424	Per Gallon
Next	900,000 Gallons	0.00379	Per Gallon
Over	1,000,000 Gallons	0.00345	Per Gallon
<u>8-Inch Meter</u>			
First	80,000 Gallons	\$418.99	Minimum Bill
Next	20,000 Gallons	0.00424	Per Gallon
Next	900,000 Gallons	0.00379	Per Gallon
Over	1,000,000 Gallons	0.00345	Per Gallon
<u>10-Inch Meter</u>			
First	120,000 Gallons	\$601.38	Minimum Bill
Next	880,000 Gallons	0.00379	Per Gallon
Over	1,000,000 Gallons	0.00345	Per Gallon
<u>Wholesale Rate</u>			
	BGMU at Cemetery Road	0.0027647	Per Gallon

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