

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF JESSAMINE COUNTY)	2022-00249
WATER DISTRICT NO. 1)	

ORDER

On August 5, 2022, Jessamine County Water District No. 1 (Jessamine District No. 1) tendered a request 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 August 8, 2022, the Commission notified Jessamine District No. 1 that its application was rejected for certain deficiencies. On August 9, 2022, Jessamine District No. 1 submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of August 9, 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

Jessamine District No. 1 purchases water from the city of Nicholasville (Nicholasville) and Kentucky-American Water Company (Kentucky-American). Nicholasville notified Jessamine District No. 1 that its wholesale rate would increase from \$2.94 per 1,000 gallons to 3.09 per 1,000 gallons, and its monthly service charge for a 6-inch meter would increase from \$141.65 to \$148.73, effective September 1, 2022.¹ Jessamine District No. 1 proposes to increase the water rates to its customers effective September 15, 2022, to reflect the increased cost of purchased water from Nicholasville. Kentucky-American did not have a wholesale rate change.

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, Jessamine District No. 1 reported a water loss of 7.8958 percent.² Jessamine District No. 1's application provides updated purchase and sales information for the period of July 2021 through June 2022. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2021 Annual Report, Jessamine District No. 1's

¹ TFS 2022-00393 (Ky. PSC July 28, 2022); Nicholasville submitted the tariff on July 28, 2022, and the tariff was accepted for filing by the Commission by letter dated August 29, 2022, with an effective date of September 1, 2022.

² *Annual Report of Jessamine District No. 1 to the Public Service Commission for the Year Ended December 31, 2021* at 57.

unaccounted-for water loss is 4.6180 percent for the updated period.³ The cost of Jessamine District No. 1's total water loss is \$45,857.35.⁴

Financial Condition and Rates

Based on a review of Commission records, Jessamine District No. 1 has not sought a general base rate adjustment since before 1985. Jessamine District No. 1 has adjusted base rates only in conjunction with construction projects, pursuant to KRS 278.023, or in Purchased Water Adjustment proceedings, pursuant to KRS 278.015(2). Such proceedings do not provide the Commission with an opportunity to thoroughly review the district's finances. Recently, in Case No. 2022-00134,⁵ the Commission ordered Jessamine District No. 1 to file an application for a general base rate adjustment or an alternative rate adjustment within three years of the date of the Order, or in the alternative, file a detailed analysis of its rates and state the reasons why no rate modification is necessary. The final Order in Case No. 2022-00134 was issued on June 20, 2022. In accordance with that Order, Jessamine District No. 1 shall file a general base rate adjustment or an alternative rate adjustment by June 20, 2025, or in

³ Total Purchases (application PWA Form 1 at 2)	273,144,118
Less Total Sales (application PWA Form 1 at 2)	237,276,014
Less Plant Use (% determined from 2021 Annual Report)	23,255,490
Water Loss – Gallons	12,612,614
Water Loss – Percent	4.6180%

⁴ Total water cost at new wholesale rate of \$993,013.11 times 4.6180% water loss equals \$45,857.35.

⁵ Case No. 2022-00134, *Electronic Application of Jessamine County Water District No. 1 for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance Of Securities Pursuant To KRS 278.023* (Ky. PSC June 20, 2022).

the alternative, file a detailed analysis of its rates and state the reasons why no rate modification is necessary.⁶

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

Purchase Water Rate Increase

In its application, Jessamine District No. 1 proposed a purchased water adjustment factor of \$0.18 per 1,000 gallons. During the 12 months ended June 30, 2022, Jessamine District No. 1 purchased 182,743,810 gallons of water from Nicholasville and 90,400,308 gallons of water from Kentucky-American Water, and sold 237,276,014 gallons of water to its customers. The increase in the cost of purchased water is \$28,006.29, resulting in a purchased water adjustment factor of \$0.12 per 1,000 gallons.

Based upon the case record, and being otherwise sufficiently advised, the Commission finds that the purchased water adjustment factor of \$0.12 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 Jessamine District No. 1 on and after September 15, 2022. The water adjustment factor is supported by evidence of the increase in rates from Jessamine District No. 1's wholesale water

⁶ Case No. 2022-00134, *Jessamine County Water District No. 1* (Ky. PSC June 20, 2022), final Order June 20, 2022.

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.

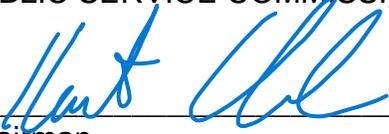
⁸ See Case No. 2019-00041, Nov. 22, 2019 final Order.

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 \$0.12 per 1,000 gallons is approved.
2. The rates proposed by Jessamine District No. 1 are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Jessamine District No. 1 on and after September 15, 2022.
4. Within 20 days of the date of entry of this Order, Jessamine District No. 1 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 June 20, 2025, Jessamine District No. 1 shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary. Any filing for a rate adjustment under KRS 278.023 does not relieve Jessamine District No. 1 from this requirement.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

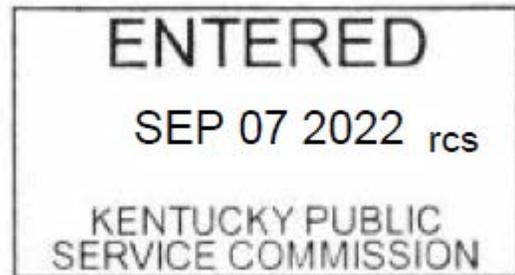


Chairman

Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00249 DATED SEP 07 2022

	Base Rate	New Rate	Change
<u>Nicholasville</u>			
Purchases in Gallons	182,743,810	182,743,810	
Rate per 1,000 Gallons	<u>\$ 2.94/1,000</u>	<u>\$ 3.09/1,000</u>	
Sub-total	\$537,266.80	\$564,678.37	\$ 27,411.57
Months	12	12	
Monthly Service Charge	<u>\$ 991.55</u>	<u>\$1,041.11</u>	
Sub-total	\$11,898.60	\$12,493.32	\$ 594.72
Total	\$ 549,165.40	\$ 577,171.69	\$ 28,006.29
Increased water cost		\$ 28,006.29	
Increased water cost		\$ 28,006.29	
Divided by Gallons sold/1000		<u>237,276,014</u>	
Purchased water adjustment factor		\$ 0.1180 per 1,000 Gallons	
		or \$ 0.12 per 1,000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00249 DATED SEP 07 2022

The following rates and charges are prescribed for the customers in the area served by Jessamine County Water District No. 1. 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 Rates

5/8 X 3/4-Inch Meter

First	3,000 Gallons	30.11	Minimum Bill
Next	7,000 Gallons	0.00692	Per Gallon
Over	10,000 Gallons	0.00670	Per Gallon

1-Inch Meter

First	5,000 Gallons	43.95	Minimum Bill
Next	5,000 Gallons	0.00692	Per Gallon
Over	10,000 Gallons	0.00670	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	78.55	Minimum Bill
Over	10,000 Gallons	0.00670	Per Gallon

2-Inch Meter

First	20,000 Gallons	145.55	Minimum Bill
Over	20,000 Gallons	0.00670	Per Gallon

*Carl Waits
Chairman
Jessamine County Water District #1
2225 Lexington Road
Nicholasville, KY 40356-9702

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