

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF CUMBERLAND )	CASE NO.
COUNTY WATER DISTRICT FOR A RATE )	2022-00291
ADJUSTMENT PURSUANT TO 807 KAR 5:076 )	

ORDER

This matter arises upon Cumberland County Water District's (Cumberland District) acceptance of Commission Staff's recommendation regarding the amount of a rate increase and a water loss reduction surcharge of \$2.85 per month. Cumberland District did not request the water loss reduction surcharge and thus its customers have not received notice of the new rate recommended by Commission Staff.

As discussed in the Commission Staff Report issued on February 14, 2023, and accepted by Cumberland District on February 28, 2023, in establishing water-loss surcharges, the Commission recognizes that the adjustments required to be made to comply with the 15 percent unaccounted-for water loss limitation in 807 KAR 5:066, Section 6(3), could severely restrict cash flow and could impair a water district's ability to take the necessary action to focus on its leak detection and repair. Using a surcharge to fund a water district's water loss reduction program allows the Commission to place strict controls governing the surcharge proceeds to ensure their effective use, public acceptance of the surcharge, and public confidence in the water district's use of those funds.

Recognizing prior Commission precedent to allow the use of surcharges to assist utilities in obtaining the proper funding needed to combat water loss discussed above, Commission Staff recommended that the Commission authorize Cumberland District to assess a monthly water loss reduction surcharge of \$2.85 per active meter for 48 months, with a review of the necessity to continue the surcharge before the 48-month period expires. Commission Staff also recommended that the Commission establish a separate proceeding to monitor the surcharge and place strict controls over the use of the funds that will be collected from the surcharge and require Cumberland District to develop a long-term plan to address its aging infrastructure and combat water loss within six months of the final Order in this proceeding.

#### LEGAL STANDARD

Commission regulation 807 KAR 5:076, Section 11(3)(f), states:

If commission staff reports that the applicant's financial condition supports a higher rate than the applicant proposed or commission staff recommends the assessment of an additional rate or charge not proposed in the application and commission staff's proposed rates produce a total increase in revenues that exceeds 110 percent of the total increase in revenues that the applicant's proposed rates will produce and the applicant amends its application to request commission staff's proposed rates, the commission shall order the applicant to provide notice of the finding or recommendation to its customers.

Commission regulation 807 KAR 5:076, Section 7(1), provides that an application for an alternative rate adjustment (ARF) may not place the proposed rates into effect until the Commission approves those rates or six months from the date of filing an application.

Commission regulation 807 KAR 5:001E, Section 4(5), provides that amendment of an application shall not relate back to the date of the filing of the original application unless the Commission orders otherwise.

### DISCUSSION AND FINDINGS

In this proceeding, Cumberland District provided customer notice of a proposed 18.21 percent rate increase, and, in the Commission Staff Report, Commission Staff recommended a 19.29 percent rate increase for retail customers, which includes the recommended water loss reduction surcharge. Although Commission Staff's recommendation does not exceed the regulatory amount that requires renote, due process requires that Cumberland District's ratepayers receive notice of all proposed rates, including the water loss reduction surcharge.

For that reason, the Commission finds that Cumberland District should provide notice of the proposed rate increase to its customers, including the water loss reduction surcharge. Within 14 days of the date of service of the Order, Cumberland District shall notify its customers of the proposed rates calculated in the Commission Staff's Report by publishing notice of the increase in a newspaper of general circulation in its territory, placing an insert in bills rendered to its customers, or mailing a written notice to each customer. The customer notice shall contain the information set forth in the Appendix to this Order.

IT IS THEREFORE ORDERED that:

1. Within 14 days of the date of service of this Order, Cumberland District shall notify its customers of the implementation of the rates calculated in the Commission Staff's Report by publishing notice of the increase in a newspaper of general circulation

in its territory or placing an insert in bills rendered to its customers. The customer notice shall contain the information set forth in the Appendix to this Order.

2. Cumberland District shall provide proof of publication of the notice to the Commission no later than 30 days from the date of service of this Order.

3. If the Commission does not receive any written requests for intervention or a hearing in this matter within 30 days of publication of new rates, this case shall stand submitted to the Commission for a decision based upon the existing record.

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PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Vice Chairman

  
\_\_\_\_\_  
Commissioner

*Att with permission*



ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00291 DATED MAY 24 2023

On September 21, 2022, the Kentucky Public Service Commission (PSC) accepted for filing Cumberland County Water District's (Cumberland District) application requesting to increase its revenue from water sales by \$260,122, an approximate increase of 18.21 percent. On February 14, 2023, Commission Staff determined Cumberland District would require an increase of \$178,901 or 12.53 percent in revenue from water sales along with a water loss reduction surcharge of \$2.85 per month for 48 months. Cumberland District requests the PSC approve its recommended revenue requirements and that Cumberland District be allowed to implement the revised rates as follows:

<b>Meter Size</b>		<b>Current</b>	<b>Proposed</b>		<b>% Increase</b>
<u>5/8- x 3/4-Inch</u>					
First	2,000 Gallons	\$ 29.10	\$32.75	Minimum Bill	12.54%
Next	3,000 Gallons	0.00770	0.00866	Per Gallon	12.47%
Next	5,000 Gallons	0.00670	0.00755	Per Gallon	12.69%
Over	10,000 Gallons	0.00570	0.00641	Per Gallon	12.46%
 <u>1-Inch</u>					
First	5,000 Gallons	\$ 52.20	\$ 59.08	Minimum Bill	13.18%
Next	5,000 Gallons	0.00670	0.00755	Per Gallon	12.69%
Over	10,000 Gallons	0.00570	0.00641	Per Gallon	12.46%
 <u>1 1/2-Inch</u>					
First	12,500 Gallons	\$ 99.95	\$ 112.47	Minimum Bill	12.53%
Over	12,500 Gallons	0.00570	0.00641	Per Gallon	12.46%
 <u>2-Inch</u>					
First	25,000 Gallons	\$171.20	\$ 192.65	Minimum Bill	12.53%
Over	25,000 Gallons	0.00570	0.00641	Per Gallon	12.46%
 <u>Dale Hollow State Park</u>					
First	300,000 Gallons	\$ 1,738.70	\$ 1,956.56	Minimum Bill	12.53%
Over	300,000 Gallons	0.00570	0.00641	Per Gallon	12.46%
 <u>Water Loss Reduction Surcharge</u>					
To be collected for 48 months or until a total amount of \$386,460 is collected for water loss reduction.			\$2.85	Per Active Meter	

### Nonrecurring Charges

After Hours Charge	\$50.00
Field Collection Charge	\$18.00
Meter Reread Charge	\$18.00
Meter Test Charge	\$18.00
New Service Charge	\$18.00
Re-Connection Charge	\$36.00
Returned Check Charge	\$3.50
Service Charge	\$18.00

The proposed rates shall not become effective until the Public Service Commission has issued an Order approving these rates. The rates will increase the monthly bill of a typical residential customer using 3,059 gallons a month from \$37.25 to \$44.77, an increase of \$7.52, or approximately 20.18 percent. This filing may be examined at the offices of Cumberland District located at 133 Lower River Street, Burkesville, Kentucky 42717.

Any person may examine this filing at the PSC located at 211 Sower Boulevard, Frankfort, Kentucky, Monday–Friday, 8:00 a.m. to 4:30 p.m. or on the PSC website at <https://psc.ky.gov/>; telephone (502) 564-3940. A copy of the PSC Commission Staff’s Report can be found at the following address:

[https://psc.ky.gov/pscscf/2022%20Cases/2022-00291//20230214\\_STAFF\\_REPORT.pdf](https://psc.ky.gov/pscscf/2022%20Cases/2022-00291//20230214_STAFF_REPORT.pdf)

Any person may submit comments on the proposed request no later than 30 days after the date of publication of customer notice. Comments shall be in writing and shall be submitted to the Executive Director, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602. Comments may also be submitted by electronic mail to [psc.comment@ky.gov](mailto:psc.comment@ky.gov). If the Commission does not receive any request for intervention or hearing in this matter within 30 days after the date of publication of this customer notice, the Commission will proceed to render a decision in the matter.

\*Cumberland County Water District  
133 Lower River Street  
Burkesville, KY 42717-9622

\*Matthew Dyer  
Manager  
Cumberland County Water District  
133 Lower River Street  
Burkesville, KY 42717-9622

\*Lee Mudd, P.E.  
Monarch Engineering, Inc.  
556 Carlton Drive  
Lawrenceburg, KENTUCKY 40342