

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF WESTERN PULASKI)	2024-00021
COUNTY WATER DISTRICT)	

ORDER

On February 1, 2024, Western Pulaski County Water District (Western Pulaski 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, within the statutory and regulatory deadlines, 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

Western Pulaski District purchases water from the city of Somerset (Somerset) and the city of Russell Springs (Russell Springs). Somerset notified Western Pulaski District that its wholesale rate would increase from \$2.50 per 1,000 gallons to \$2.80 per

1,000 gallons, effective January 25, 2024.¹ Western Pulaski District proposes to increase the water rates to its customers effective January 25, 2024, to reflect the increased cost of purchased water from Somerset. Russell Springs did not propose any rate changes.

Unaccounted-for Water Loss

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 2022 Annual Report filed with the Commission, Western Pulaski District reported a water loss of 29.3096 percent.² Western Pulaski District's application provides updated purchase and sales information for the period of January 2023 through December 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, Western Pulaski District's unaccounted-for water loss is 32.68 percent for the updated period.³ Reduction of Western Pulaski District's unaccounted-for water loss to 15 percent would result in an approximate \$261,608.16 decrease to purchased water expense.⁴ Potentially, Western Pulaski District is paying approximately \$0.66 per 1,000 gallons sold

¹ Case No. 2024-00007, *Electronic Tariff Filing of the City of Somerset Water Service to Increase the Wholesale Rate Charged to South Eastern Water Association and Western Pulaski County Water District* (Ky. PSC Jan. 24, 2024), Order. Somerset submitted the tariff on December 21, 2023, with an effective date of January 25, 2024.

² *Annual Report of Western Pulaski District to the Public Service Commission for the Year Ended December 31, 2022* at 57-58.

³ Total Purchases (application PWA Form 1 at 2)	591,779,272
Less Total Sales (application PWA Form 1 at 2)	394,779,528
Less Plant Use (% determined from 2022 Annual Report)	3,597,426
Water Loss – Gallons	193,402,318
Water Loss – Percent	32.68%

⁴ Water loss above 15% is 17.68%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$1,657,070.45 times water loss above 15%) equals \$261,608.16.

for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁵ The cost of Western Pulaski District's total water loss is \$483,560.78.⁶

In Western Pulaski District's recent rate case,⁷ the Commission approved a monthly water loss reduction surcharge of \$1.70 per customer for 48 months to help lower water loss to a more acceptable level.⁸ On September 28, 2022, Case No. 2022-00312 was established to enable the Commission to monitor the progress of the water loss reduction surcharge plan established by Western Pulaski District.⁹

Financial Condition and Rates

Based on a review of Commission records, Western Pulaski District last sought a general base rate adjustment in 2021,¹⁰ pursuant to the Commission's Order in Case No. 2020-00331, which explained that Western Pulaski District's Debt Service Coverage ratio was projected to fall below the 1.2X threshold established by the utility's lenders.¹¹ In Western Pulaski District's most recent rate case, the increase in revenue required from

⁵ Potential purchased water expense reduction divided by sales (\$261,608.16/ (394,779,528/1,000)) equals \$0.66 per 1,000 gallons.

⁶ Total water cost at new wholesale rate of \$1,657,070.45 times 32.68% water loss equals \$483,560.78.

⁷ Case No. 2021-00445, *Electronic Application of Western Pulaski County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 27, 2022), final Order.

⁸ Case No. 2021-00445, *Electronic Application of Western Pulaski County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 27, 2023), final Order at 19.

⁹ Case No. 2022-00312, *Electronic Western Pulaski Water District Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Sept. 28, 2022), opening Order.

¹⁰ Case No. 2021-00445, *Electronic Application of Western Pulaski County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 27, 2022), final Order.

¹¹ Case No. 2020-00331, *Electronic Application of Western Pulaski County Water District for the Issuance of a Certificate of Public Convenience and Necessity to Construct a Water System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to the Provisions of KRS 278.030, DRS 278.300 and 807 KAR 5:001* (Ky. PSC Dec. 17, 2020), Order at 5 and 12, ordering paragraph 14.

rates totaled \$4,052,433, an increase of approximately 22.51 percent.¹² The Commission approved a three-year phase-in approach to avoid a significant hardship on Western Pulaski District's customers. Western Pulaski District is currently in Phase 2 of its three-year phase-in rate increase from Case No. 2021-00445.

Purchased Water Adjustment Factor

In its application, Western Pulaski District proposed a purchased water adjustment factor of \$0.45 per 1,000 gallons. During the 12 months ended December 31, 2023, Western Pulaski District purchased 591,287,672 gallons of water from Somerset and 491,600 gallons of water from Russell Springs and sold 394,779,528 gallons of water to its customers. The increase in the cost of purchased water from Somerset is \$177,386.30, resulting in a purchased water adjustment factor of \$0.45 per 1,000 gallons. No rate changes occurred from Russell Springs.

The purchased water adjustment factor of \$0.45 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 should be approved for water service rendered by Western Pulaski District on and after January 25, 2024, because the rates are supported by evidence of the increase in rates from Western Pulaski 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 \$0.45 per 1,000 gallons is approved.

¹² Case No. 2021-00445, *Electronic Application of Western Pulaski County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 27, 2022), final Order.

2. The rates proposed by Western Pulaski District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Western Pulaski District on and after January 25, 2024.
4. Within 20 days of the date of service of this Order, Western Pulaski 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



Commissioner

ENTERED
FEB 22 2024 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00021 DATED FEB 22 2024

	Base Rate	New Rate	Change
<u>Somerset</u>			
Purchases in Gallons	591,287,672	591,287,672	
Rate per 1,000 Gallons	<u>\$2.50/1,000</u>	<u>\$2.80/1,000</u>	
Subtotal	\$1,478,219.18	\$1,655,605.48	\$177,386.30
 <u>Russell Springs</u>			
Purchases in Gallons	491,600	491,600	
Rate per 1,000 Gallons	<u>\$2.98/1,000</u>	<u>\$2.98/1,000</u>	
Subtotal	\$1,464.97	\$1,464.97	\$0.00
Increased water cost			\$177,386.30
Increased water cost		\$177,386.30	
Divided by Gallons sold/1,000		<u>394,779,528</u>	
Purchased water adjustment factor		\$0.45	per 1,000 Gallons
		or \$ 0.00045	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00021 DATED FEB 22 2024

The following rates and charges are prescribed for the customers in the area served by Western Pulaski County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8 X 3/4-Inch Meter

First	2,000 Gallons	21.11	Minimum Bill
Over	2,000 Gallons	0.00770	Per Gallon

1-Inch Meter

First	10,000 Gallons	82.50	Minimum Bill
Over	10,000 Gallons	0.00770	Per Gallon

1 1/2-Inch Meter

First	15,000 Gallons	120.86	Minimum Bill
Over	15,000 Gallons	0.00770	Per Gallon

2-Inch Meter

First	20,000 Gallons	159.23	Minimum Bill
Over	20,000 Gallons	0.00770	Per Gallon

3-Inch Meter

First	30,000 Gallons	235.95	Minimum Bill
Over	30,000 Gallons	0.00770	Per Gallon

Leak Adjustment		0.00507	Per Gallon
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Phase 3 Rates
Approved in Case No 2021-00445
Effective as of September 27, 2024

5/8 X 3/4-Inch Meter

First	2,000 Gallons	22.43	Minimum Bill
Over	2,000 Gallons	0.00817	Per Gallon

1-Inch Meter

First	10,000 Gallons	87.59	Minimum Bill
Over	10,000 Gallons	0.00817	Per Gallon

1 1/2-Inch Meter

First	15,000 Gallons	128.30	Minimum Bill
Over	15,000 Gallons	0.00817	Per Gallon

2-Inch Meter

First	20,000 Gallons	169.02	Minimum Bill
Over	20,000 Gallons	0.00817	Per Gallon

3-Inch Meter

First	30,000 Gallons	250.46	Minimum Bill
Over	30,000 Gallons	0.00817	Per Gallon

Leak Adjustment

		0.00537	Per Gallon
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*Deron S Byrne, P.E.
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, KENTUCKY 40342

*Western Pulaski County Water District
2128 West Highway 80
Somerset, KY 42503