

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	
ADJUSTMENT FILING OF JESSAMINE)	CASE NO.
COUNTY WATER DISTRICT NO. 1)	2024-00028

ORDER

On February 14, 2024, Jessamine County Water District #1 (Jessamine District #1) 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

Jessamine District #1 purchases water from Kentucky-American Water Company (Kentucky-American) and the city of Nicholasville (Nicholasville). Kentucky-American notified Jessamine District #1 that its Qualified Infrastructure Program (QIP) Rider

surcharge would increase by 8.27 percent, effective October 1, 2023.¹ Jessamine District #1 proposes to increase the water rates to its customers effective March 14, 2024, to reflect the increased cost of purchased water from Kentucky-American. Nicholasville 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, Jessamine District #1 reported a water loss of 10.4839 percent.² Jessamine District #1'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, Jessamine District #1's unaccounted-for water loss is 14.20 percent for the updated period.³ The cost of Jessamine District #1's total water loss is \$165,590.41.⁴

¹ Case No. 2023-00030 *Electronic Application of Kentucky-American Water Company to Amend Tariff to Revise Qualified Infrastructure Charge* (Ky. PSC Sept. 29, 2023), final Order.

² *Annual Report of Jessamine District #1 to the Public Service Commission for the Year Ended December 31, 2022* at 57.

³ Total Purchases (application PWA Form 1 at 2)	321,217,000
Less Total Sales (application PWA Form 1 at 2)	265,258,000
Less Plant Use (% determined from 2022 Annual Report)	10,358,606
Water Loss – Gallons	45,600,394
Water Loss – Percent	14.20%

⁴ Total water cost at new wholesale rate of \$1,166,129.63 times 14.20% water loss equals \$165,590.41.

Financial Condition and Rates

Based on a review of Commission records, Jessamine District #1 has never sought a general base rate adjustment. Jessamine District #1's only rate increases have occurred through purchased water adjustment (PWA) filings or as a condition for federal financing of a construction project in accordance with KRS 278.023. In accordance with the provisions of KRS 278.023, the Commission's review of such applications is a limited review of a utility's total financial stability and operational viability.

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.⁵ 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.⁶

Based upon a review of the annual and audit reports filed with the Commission, Jessamine District #1's depreciation reserves were fully funded for only two of the last five years. Jessamine District #1 has reported positive cash flows and strong cash balances for the past five years, and the utility has maintained a water loss percentage of less than 15 percent in each of the past five years. Jessamine District #1 should evaluate its financial performance annually to determine the need for a rate adjustment.

Purchased Water Adjustment Factor

In its application, Jessamine District #1 proposed a purchased water adjustment factor of \$0.14 per 1,000 gallons. During the 12 months ended December 31, 2023,

⁵ See Case No. 2019-00041, *Electronic Investigation Into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

⁶ See Case No. 2019-00041, Nov. 22, 2019 final Order.

Jessamine District #1 purchased 109,514,000 gallons of water from Kentucky-American and 211,703,000 gallons of water from Nicholasville and sold 265,258,000 gallons of water to its customers. The increase in the cost of purchased water from Kentucky-American is \$39,106, resulting in a purchased water adjustment factor of \$0.14 per 1,000 gallons. No rate changes occurred from Nicholasville.

The purchased water adjustment factor of \$0.14 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 Jessamine District #1 on and after March 14, 2024, because the rates are supported by evidence of the increase in rates from Jessamine District #1'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 \$0.14 per 1,000 gallons is approved.
2. The rates proposed by Jessamine District #1 are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Jessamine District #1 on and after March 14, 2024.
4. Within 20 days of the date of service of this Order, Jessamine District #1 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

Hunt Clark
Chairman

AB
Vice Chairman

Man Pat Regan
Commissioner



ATTEST:

Linda C. Bridwell
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00028 DATED MAR 06 2024

	Base Rate	New Rate	Change
<u>KAWC</u>			
Purchases in Gallons	109,514,000	109,514,000	
Rate per 1,000 Gallons	<u>\$4.236/1,000</u>	<u>\$4.236/1,000</u>	
Subtotal	\$463,901.30	\$463,901.30	
Monthly Service Charge	\$8,960.40	<u>\$8,960.40</u>	
		\$472,861.70	
QIP Rider surcharge		<u>8.27%</u>	
Annual QIP cost		\$39,105.66	
Increased water cost			\$39,105.66
Increased water cost		\$39,105.66	
Divided by Gallons sold/1,000		<u>265,258,000</u>	
Purchased water adjustment factor		\$0.14	per 1,000 Gallons
		or \$ 0.00014	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00028 DATED MAR 06 2024

The following rates and charges are prescribed for the customers in the area served by Jessamine County Water District #1. 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	3,000 Gallons	\$30.53	Minimum Bill
Next	7,000 Gallons	0.00706	Per Gallon
Over	10,000 Gallons	0.00684	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$44.65	Minimum Bill
Next	5,000 Gallons	0.00706	Per Gallon
Over	10,000 Gallons	0.00684	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$79.95	Minimum Bill
Over	10,000 Gallons	0.00684	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$148.35	Minimum Bill
Over	20,000 Gallons	0.00684	Per Gallon

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

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