

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF CUMBERLAND)	2024-00069
COUNTY WATER DISTRICT)	

ORDER

On March 29, 2024, Cumberland County Water District (Cumberland 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

Cumberland District purchases water from the city of Burkesville (Burkesville) and the city of Albany (Albany). Burkesville notified Cumberland District that its wholesale rate would increase from \$2.15 per 1,000 gallons to \$2.47 per 1,000 gallons, effective

April 15, 2024.¹ Cumberland District proposes to increase the water rates to its customers effective April 15, 2024, to reflect the increased cost of purchased water from Burkesville.

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, Cumberland District reported a water loss of 39.0535 percent.² Cumberland 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, Cumberland District's unaccounted-for water loss is 39.57 percent for the updated period.³ Reduction of Cumberland District's unaccounted-for water loss to 15 percent would result in an approximate \$119,195.68 decrease to purchased water expense.⁴ Cumberland District is paying approximately \$1.02 per 1,000 gallons sold for expenses associated with

¹ TFS2024-00092 (filed Mar. 1, 2024) Cumberland District submitted the tariff on March 1, 2024, and the tariff was suspended into Case No. 2024-00075 by the Commission on March 25, 2024; Case No. 2024-00075 *Electronic Tariff Filing of the City of Burkesville to Increase Its Wholesale Rate to Cumberland County Water District* (Ky. PSC Apr. 8, 2024), Order.

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

³ Total Purchases (application PWA Form 1 at 2)	201,891,600
Less Total Sales (application PWA Form 1 at 2)	116,405,000
Less Plant Use (percent determined from 2022 Annual Report)	5,606,530
Water Loss – Gallons	79,880,070
Water Loss – Percent	39.57

⁴ Water loss above 15% is 24.57%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$485,126.92 times water loss above 15%) equals \$119,195.68.

unaccounted-for water loss in excess of the 15 percent threshold.⁵ The cost of Cumberland District's total water loss is approximately \$191,964.72.⁶

In Cumberland District's recent rate case,⁷ the Commission approved a monthly water loss reduction surcharge of \$2.85 per meter per month for 48 months to help lower system losses to more acceptable levels.⁸ On October 5, 2023, Case No. 2023-00228 was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established by Cumberland District.⁹

Financial Condition and Rates

Cumberland District last sought a general base rate adjustment in 2022.¹⁰ Cumberland District's most recent alternative rate adjustment case used 2021 as the test year and closed on October 5, 2023 with a required revenue increase of \$178,901 or 12.53 percent.¹¹ Cumberland District's Commission approved rates increased the monthly bill of a typical customer from \$37.25 to \$41.92, an increase of \$4.67 or approximately 12.54 percent.¹² Additionally, as discussed above, the Commission approved a monthly water loss reduction surcharge of \$2.85 per customer over 48

⁵ Potential purchased water expense reduction divided by sales (\$119,195.68/ (116,405,000/1,000)) equals \$1.02 per 1,000 gallons.

⁶ Total water cost at new wholesale rate of \$485,126.92 times 39.57% water loss equals \$191,964.72.

⁷ Case No. 2022-00291, *Electronic Application of Cumberland County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 5, 2023), final Order.

⁸ Case No. 2022-00291, Oct. 5, 2023 final Order at 25, ordering paragraph 10.

⁹ Case No. 2023-00228, *Electronic Cumberland County Water District Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Oct. 5, 2023), opening Order.

¹⁰ See Case No. 2022-00291, Oct. 5, 2023 final Order.

¹¹ Case No. 2022-00291, Oct. 5, 2023 final Order.

¹² Case No. 2022-00291, Oct. 5, 2023 final Order.

months. The monthly bill of a typical customer using 3,059 gallons of water with the inclusion of the Water Loss Reduction Surcharge increased from \$37.25 to \$44.77, an increase \$7.52 or approximately 20.19 percent. Commission Staff recommends that Cumberland District annually review its revenue requirements to determine whether a rate adjustment application should be submitted.

Purchased Water Adjustment Factor

In its application, Cumberland District proposed a purchased water adjustment factor of \$0.46 per 1,000 gallons.¹³ During the 12 months ended December 31, 2023, Cumberland District purchased 165,282,600 gallons of water from Burkesville and 36,609,000 gallons of water from Albany and sold 116,405,000 gallons of water to its customers. The increase in the cost of purchased water from Burkesville is \$52,890.43, resulting in a purchased water adjustment factor of \$0.46 per 1,000 gallons. No rate changes occurred from Albany.

The purchased water adjustment factor of \$0.46 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 Cumberland District on and after April 15, 2024, because the rates are supported by evidence of the increase in rates from Cumberland 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:

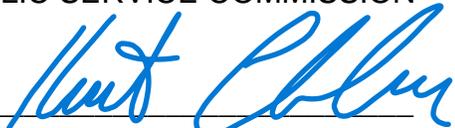
1. The purchased water adjustment factor of \$0.46 per 1,000 gallons is approved.

¹³ Application (filed Mar. 29, 2024) at 2.

2. The rates proposed by Cumberland District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Cumberland District on and after April 15, 2024.
4. Within 20 days of the date of service of this Order, Cumberland 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

ATTEST:



Executive Director *FVE*

ENTERED
APR 25 2024 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00069 DATED APR 25 2024

	Base Rate	New Rate	Change
<u>Burkesville</u>			
Purchases in Gallons	165,282,600	165,282,600	
Rate per 1,000 Gallons	<u>\$2.15/1,000</u>	<u>\$2.47/1,000</u>	
Subtotal	\$355,357.59	\$408,248.02	\$52,890.43
<u>Albany</u>			
Purchases in Gallons	36,609,000	36,609,000	
Rate per 1,000 Gallons	<u>\$2.10/1,000</u>	<u>\$2.10/1,000</u>	
Subtotal	\$76,878.90	\$76,878.90	\$0.00
Increased water cost			\$52,890.43
Increased water cost		\$52,890.43	
Divided by Gallons sold/1,000		<u>116,405,000</u>	
Purchased water adjustment factor		\$0.454	per 1,000 Gallons
		or \$ 0.00046	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00069 DATED APR 25 2024

The following rates and charges are prescribed for the customers in the area served by Cumberland 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	\$33.67	Minimum Bill
Next	3,000 Gallons	0.00912	Per Gallon
Next	5,000 Gallons	0.00801	Per Gallon
Over	10,000 Gallons	0.00687	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$61.38	Minimum Bill
Next	5,000 Gallons	0.00801	Per Gallon
Over	10,000 Gallons	0.00687	Per Gallon

1 1/2-Inch Meter

First	12,500 Gallons	\$118.22	Minimum Bill
Over	12,500 Gallons	0.00687	Per Gallon

2-Inch Meter

First	25,000 Gallons	\$204.15	Minimum Bill
Over	25,000 Gallons	0.00687	Per Gallon

Dale Hollow State Park

First	300,000 Gallons	\$2,094.56	Minimum Bill
Over	300,000 Gallons	0.00687	Per Gallon

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