

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF HENDERSON)	2024-00086
COUNTY WATER DISTRICT)	

ORDER

On April 4, 2024, Henderson County Water District (Henderson District) applied for approval to adjust its rates pursuant to the purchased water adjustment (PWA) procedure set forth in KRS 278.015 and 807 KAR 5:068. On April 5, 2024, the Commission notified Henderson District that its application was rejected for certain deficiencies. On April 9, 2024, Henderson District submitted further documentation to correct the filing deficiency, and the application was deemed filed as of April 9, 2024.

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. A water district is also authorized to pass through a decrease in a suppliers' wholesale rate through a PWA pursuant to 807 KAR 5:068, and a water district is required to decrease its rates commensurate with a decrease in a supplier's wholesale rate if the water district previously revised its rates pursuant to 807 KAR 5:068 to reflect a change in a supplier's wholesale rate.¹

¹ 807 KAR 5:068, Section 2(2).

When requesting a PWA based on a change in a suppliers' wholesale rate, a water district must file an application for a PWA, which must include, among other things, copy of the notice from the wholesale supplier showing the change in the wholesale rate and a statement of the volume of purchased water used to calculate the rate adjustment.² The Commission shall approve or deny the application for a PWA by order within 30 days after the application is filed.³

DISCUSSION AND FINDINGS

Henderson District purchases water from Henderson Water Utility, North System (Henderson North) and Henderson Water Utility, South System (Henderson South). Henderson Water Utility notified Henderson District that its wholesale rate would decrease from \$3.3035 per 1,000 gallons to \$3.2990 per 1,000 gallons for Henderson North and decrease from \$2.9548 per 1,000 gallons to \$2.9274 per 1,000 gallons for Henderson South, effective April 1, 2024.⁴ Henderson District proposes no revision to the water rates to its customers effective April 30, 2024, to reflect the aggregate decreased cost of purchased water from Henderson Water Utility.

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

² See 807 KAR 5:068, Section 1(1) (defining what must be included in a purchase water adjustment application).

³ 807 KAR 5:068, Section 6; KRS 278.015.

⁴ TFS2024-00087 (Ky. PSC Feb. 29, 2024); Henderson Water Utility submitted the tariff on February 29, 2024, and the tariff was accepted for filing by the Commission by letter dated March 28, 2024, with an effective date of April 1, 2024.

operations. In its 2022 Annual Report filed with the Commission, Henderson District reported a water loss of 28.1063 percent.⁵ Henderson District’s application provided updated purchase and sales information for the period of March 2023 through February 2024. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, Henderson District’s unaccounted-for water loss is 29.69 percent for the updated period.⁶ Reduction of Henderson District’s unaccounted-for water loss to 15 percent would result in an approximate \$242,320.43 decrease to purchased water expense.⁷ Potentially, Henderson District is paying approximately \$0.72 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁸ The cost of Henderson District’s total water loss is \$489,754.49.⁹

In Henderson District’s recent rate case,¹⁰ the Commission approved a monthly water loss reduction surcharge of \$1.87 per customer for 48 months, or until \$584,220 has been assessed, whichever occurs first, to help lower system losses to more

⁵ *Annual Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁶ Total Purchases (application PWA Form 1 at 2)	503,277,082
Less Total Sales (application PWA Form 1 at 2)	336,787,550
Less Plant Use (% determined from 2021 Annual Report)	17,060,590
Water Loss – Gallons	149,428,942
Water Loss – Percent	29.69%

⁷ Water loss above 15 percent is 14.69 percent, potential purchased water expense reduction (Total water cost at new wholesale rate of \$1,649,560.42 times water loss above 15 percent) equals \$242,320.43.

⁸ Potential purchased water expense reduction divided by sales (\$242,320.43/ (336,787,550/1,000)) equals \$0.72 per 1,000 gallons.

⁹ Total water cost at new wholesale rate of \$1,649,560.42 x 29.69% water loss equals \$489,754.49.

¹⁰ Case No. 2023-00101, *Electronic Application of Henderson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 13, 2023), final Order.

acceptable levels.¹¹ On December 13, 2023, Case No. 2023-00333 was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established by Henderson District.¹²

Financial Condition and Rates

Based on a review of Commission records, Henderson District last sought a general base rate adjustment in 2023.¹³ Case No. 2023-00101 was filed pursuant to the final Orders in Case No. 2022-00013, Case No. 2022-00034, and Case No. 2023-00041,¹⁴ and closed on December 13, 2023, with a required revenue increase of \$223,245, or 7.08 percent. Additionally, Henderson District was authorized to assess a monthly water loss reduction surcharge of \$1.87 per meter per month for 48 months.¹⁵ The water loss reduction surcharge is expected to produce approximately \$146,055 annually, and a total of \$584,220 over the four-year period. Commission Staff recommends that Henderson District annually evaluate its financial performance to determine the necessity of a rate filing.

¹¹ Case No. 2023-00101, *Electronic Application of Henderson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 13, 2023), final Order at 25-26.

¹² Case No. 2023-00333, *Electronic Henderson County Water District Unaccounted for Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Dec. 13, 2023), opening Order.

¹³ Case No. 2023-00101, *Electronic Application of Henderson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 13, 2023).

¹⁴ See Case No. 2022-00013, *Electronic Purchased Water Adjustment Filing of Henderson County Water District* (Ky. PSC Feb. 10, 2022), final Order (in which Henderson District was ordered to file a rate case by February 10, 2023); Case No. 2022-00034, *Electronic Purchased Water Adjustment Filing of Henderson County Water District* (Ky. PSC Mar. 16, 2022) (in which Henderson District was again ordered to file a rate case by February 10, 2023); Case No. 2023-00041, *Electronic Purchased Water Adjustment Filing of Henderson County Water District* (Ky. PSC Mar. 2, 2023) (in which Henderson District was ordered to file a rate case as soon as possible).

¹⁵ Case No. 2023-00101, *Electronic Application of Henderson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 13, 2023), final Order at 25-26.

Purchased Water Adjustment Factor

In its application, Henderson District does not propose a change to its purchased water adjustment factor. During the 12 months ended February 29, 2024, Henderson District purchased 474,346,311 gallons of water from Henderson North, 28,930,771 gallons of water from Henderson South and sold 336,787,550 gallons of water to its customers. The decrease in the cost of purchased water from Henderson North is (\$2,134.56), and the decrease in the cost of purchased water from Henderson South is (\$792.70), totaling an aggregate decrease in purchased water of (\$2,927.26). Due to the de minimus amount of the change and the impact of rounding on the factor, the supplier change in rates results in a purchased water adjustment factor of \$0.00 per 1,000 gallons.

Having reviewed the record, the Commission finds that the purchased water adjustment factor of \$0.00 per 1,000 gallons, as calculated in the Appendix, to this Order is fair, just and reasonable and should be approved for water service rendered by Henderson District, because the rates are supported by evidence of the decrease in rates from Henderson District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015. Henderson District proposed no revision to its current rates. The Commission finds that the application supports Henderson District's position, and no revision to Henderson District's current rates should be made.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.00 per 1,000 gallons is approved.

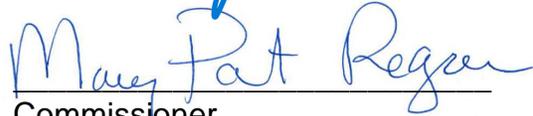
2. Henderson District's current rates shall remain in effect.
3. This case is closed and removed from the Commission's docket.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
MAY 03 2024 bsb
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00086 DATED MAY 03 2024

	Base Rate	New Rate	Change
<u>Henderson North</u>			
Purchases in Gallons	474,346,311	474,346,311	
Wholesale rate	<u>\$3.3035/1,000</u>	<u>\$3.2990/1,000</u>	
Sub-total	\$ 1,567,003.04	\$ 1,564,868.48	(\$2,134.56)
<u>Henderson South</u>			
Purchases in Gallons	28,930,771	28,930,771	
Wholesale rate	<u>\$2.9548/1,000</u>	<u>\$2.9274/1,000</u>	
Sub-total	\$ 85,484.64	\$ 84,691.94	(\$ 792.70)
Total	\$ 1,652,487.68	\$ 1,649,560.42	

Decreased water cost	(\$ 2,927.26)
Divided by Gallon sold/1,000	<u>336,787,550</u>
Purchased water adjustment factor	(\$ 0.00869) per 1,000 gallons

or (\$ 0.0000087) per gallon rounded to \$0.00

*Henderson County Water District
655 South Main Street
P. O. Box 655
Henderson, KY 42419-0655

*Mark Julian
Henderson County Water District
655 South Main Street
P. O. Box 655
Henderson, KY 42419-0655