

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF SIMPSON COUNTY)	2024-00355
WATER DISTRICT)	

ORDER

On November 22, 2024, Simpson County Water District (Simpson 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.

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

Simpson District purchases water from White House Utility District (White House).¹ White House notified Simpson District that its wholesale rate would increase \$0.675 per

¹ White House Utility District is a Tennessee company, and it is not regulated by Kentucky's Public Service Commission.

1,000 gallons, or 24.889 percent, from \$2.712 per 1,000 gallons to \$3.387 per 1,000 gallons, effective January 1, 2025.² Simpson District proposed to increase the water rates to its customers effective January 1, 2025, to reflect the increased cost of purchased water from White House.

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 2021 Annual Report filed with the Commission, Simpson District reported a water loss of 16.8046 percent.³ In its 2022 Annual Report filed with the Commission, Simpson District reported a water loss of 15.0943 percent.⁴ In its 2023 Annual Report filed with the Commission, Simpson District reported a water loss of 17.6692 percent.⁵ Simpson District's three-year water loss average is 16.5227 percent.⁶ The approximate cost of Simpson District's total water loss using a 3-year average is \$258,746.43.⁷

² Simpson District's initial Application, PWA_Exhibits_A_-_D, Exhibit A, White House Utility District Notice of Rate Increase at 2.

³ *Annual Report of Simpson District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

⁴ *Annual Report of Simpson District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁵ *Annual Report of Simpson District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁶ $16.8046 + 15.0943 + 17.6692 = 49.5681 / 3 \text{ years} = 16.5227 \text{ percent.}$

⁷ Total water cost at new wholesale rate of \$1,566,005.77 times 16.5227% water loss equals \$258,746.43.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Simpson District to monitor and take appropriate actions to reduce its unaccounted-for water loss

Financial Condition and Rates

Based on a review of Commission records, Simpson District's last rate adjustment was pursuant to 807 KAR 5:076, an alternative rate application, in Case No. 2024-00068,⁸ using 2022 as the test year resulting in a final Order issued October 29, 2024. The Commission approved an increase of \$85,745, or 3.35 percent.⁹ Based on 2022 results, the approved increase would result in positive rate-based income for the district. Simpson District should continue to monitor its operating performance and finances for rate sufficiency. Future rate cases should be filed at least every three to five years to ensure that the Commission has appropriate oversight of a utility's rate analysis.

Private Fire Service Rates

In its application, Simpson District provided an exhibit entitled Current and Proposed Monthly Rates.¹⁰ The Commission reviewed the proposed rates and identified that the proposed adjustments to Simpson District's Private Fire Service Rates were not related to the proposed PWA. The Private Fire Service Rates are not based on a gallons used basis, but rather are a flat monthly rate based on meter size. Moreover, there is no

⁸ Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 29, 2024).

⁹ Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 29, 2024) Final Order at 2.

¹⁰ Simpson District's initial Application, PWA_Exhibits_A_-_D, Exhibit C, Current & Proposed Monthly Rates at 6.

evidence of record that indicates that the adjusted Private Fire Service Rates proposed by Simpson District are commensurate with its wholesale supplier's increase. Accordingly, the Private Fire Service Rates not eligible for increases in a PWA.¹¹ Therefore, the Commission finds that proper to review PWA rates proposed by Simpson District related to its wholesale supplier's increased rates but finds that the adjustment to the Private Fire Service Rates should be denied. The Commission notes that if Simpson District proposes to make an adjustment to its Private Fire Service Rates, it should do so through a base rate filing so that the Commission may evaluate the fairness and reasonableness of the rate adjustment.

Purchased Water Adjustment Factor

In its application, Simpson District proposed a purchased water adjustment factor of \$0.87 per 1,000 gallons. During the 12 months ended September 2024, Simpson District purchased 462,357,770 gallons of water from White House and sold 362,255,890 gallons of water to its customers. The increase in the cost of purchased water from White House is \$312,091, resulting in a purchased water adjustment factor of \$0.87 per 1,000 gallons.

The purchased water adjustment factor of \$0.87 per 1,000 gallons, as calculated in Appendix A, and the rates set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Simpson District on and after January 1, 2025, because the rates are supported by evidence of the increase in rates from Simpson District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

¹¹ PWA sought pursuant to KRS 278.015.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.87 per 1,000 gallons is approved.
2. The rates proposed by Simpson District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Simpson District on and after January 1, 2025.
4. Within 20 days of the date of service of this Order, Simpson 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

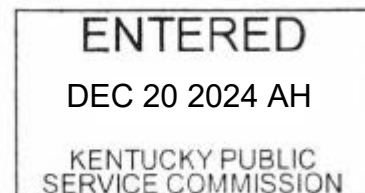

Chairman


Commissioner


Commissioner

ATTEST:


Executive Director



Case No. 2024-00355

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00355 DATED DEC 20 2024

* Denotes Rounding

	Base Rate	New Rate	Change
<u>White House Utility District</u>			
Purchases in Gallons	462,357,770	462,357,770	
Rate per 1,000 Gallons	<u>\$2.712/1,000</u>	<u>\$3.387/1,000</u>	
Subtotal	\$1,253,914.27	\$1,566,005.77	\$312,091.49
Total	\$1,253,914.27	\$1,566,005.77	
Increased water cost			\$312,091.49
Increased water cost		\$312,091.49	
Divided by Gallons sold/1,000		<u>362,255,890</u>	
Purchased water adjustment factor *		\$0.87	per 1,000 Gallons
		or \$ 0.00087	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00355 DATED DEC 20 2024

The following rates and charges are prescribed for the customers in the area served by Simpson 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	\$20.17	Minimum Bill
Next	8,000	Gallons	0.00754	Per Gallon
Next	190,000	Gallons	0.00684	Per Gallon
Next	400,000	Gallons	0.00646	Per Gallon
Over	600,000	Gallons	0.00501	Per Gallon

3/4-Inch Meter

First	3,000	Gallons	\$28.29	Minimum Bill
Next	7,000	Gallons	0.00754	Per Gallon
Next	190,000	Gallons	0.00684	Per Gallon
Next	400,000	Gallons	0.00646	Per Gallon
Over	600,000	Gallons	0.00501	Per Gallon

1-Inch Meter

First	5,000	Gallons	\$43.92	Minimum Bill
Next	5,000	Gallons	0.00754	Per Gallon
Next	190,000	Gallons	0.00684	Per Gallon
Next	400,000	Gallons	0.00646	Per Gallon
Over	600,000	Gallons	0.00501	Per Gallon

1 1/2-Inch Meter

First	10,000	Gallons	\$88.40	Minimum Bill
Next	190,000	Gallons	0.00684	Per Gallon
Next	400,000	Gallons	0.00646	Per Gallon
Over	600,000	Gallons	0.00501	Per Gallon

2-Inch Meter

First	16,000	Gallons	\$131.15	Minimum Bill
Next	184,000	Gallons	0.00684	Per Gallon
Next	400,000	Gallons	0.00646	Per Gallon
Over	600,000	Gallons	0.00501	Per Gallon

3-Inch Meter

First	30,000	Gallons	\$257.59	Minimum Bill
Next	170,000	Gallons	0.00684	Per Gallon
Next	400,000	Gallons	0.00646	Per Gallon
Over	600,000	Gallons	0.00501	Per Gallon

4-Inch Meter

First	50,000	Gallons	\$401.19	Minimum Bill
Next	150,000	Gallons	0.00684	Per Gallon
Next	400,000	Gallons	0.00646	Per Gallon
Over	600,000	Gallons	0.00501	Per Gallon

6-Inch Meter

First	100,000	Gallons	\$759.10	Minimum Bill
Next	100,000	Gallons	0.00684	Per Gallon
Next	400,000	Gallons	0.00646	Per Gallon
Over	600,000	Gallons	0.00501	Per Gallon

8-Inch Meter

First	160,000	Gallons	\$1,192.22	Minimum Bill
Next	40,000	Gallons	0.00684	Per Gallon
Next	400,000	Gallons	0.00646	Per Gallon
Over	600,000	Gallons	0.00501	Per Gallon

10-Inch Meter

First	550,000	Gallons	\$3,742.60	Minimum Bill
Next	50,000	Gallons	0.00646	Per Gallon
Over	600,000	Gallons	0.00501	Per Gallon

Private Fire Service Rates:

1-Inch	\$10.72	Monthly Customer Charge
1.5- Inch	\$18.04	
2-Inch	\$27.94	
3-Inch	\$70.13	
4-Inch	\$147.75	
6-Inch	\$367.49	
8-Inch	\$736.98	
10-Inch	\$1,295.35	

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