

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF U.S. 60 WATER)	2025-00152
DISTRICT)	

ORDER

On May 21, 2025, U.S. 60 Water District of Shelby and Franklin counties, KY (U.S. 60 District), a water district organized under KRS Chapter 74, 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

U.S. 60 District purchases water from Shelbyville Municipal Water & Sewer Commission (Shelbyville) and Frankfort Electric and Water Plant Board (Frankfort Plant Board). Shelbyville notified U.S. 60 District that its wholesale rate would increase by

\$0.06 per 1,000 gallons from \$2.47 per 1,000 gallons to \$2.53 per 1,000 gallons, effective June 19, 2025.¹ U.S. 60 District proposes to increase the water rates to its customers effective June 19, 2025, to reflect the increased cost of purchased water from Shelbyville. Frankfort Plant Board did not propose any rate adjustments.

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, U.S. 60 District reported a water loss of 12.0271 percent.² In its 2023 Annual Report filed with the Commission, U.S. 60 District reported a water loss of 13.4869 percent.³ In its 2024 Annual Report filed with the Commission, U.S. 60 District reported a water loss of 14.4118 percent.⁴ U.S. 60 District's three-year water loss average is 13.3086 percent.⁵

¹ TFS2025-00237 (Ky. PSC May 13, 2025); Shelbyville submitted the tariff on May 13, 2025, and the tariff was accepted for filing by the Commission by letter dated June 11, 2025, with an effective date of June 19, 2025.

² *Annual Report of U.S. 60 District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

³ *Annual Report of U.S. 60 District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁴ *Annual Report of U.S. 60 District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

⁵ $12.0271\% (2022) + 13.4869\% (2023) + 14.4118\% (2024) = 39.9258 / 3 \text{ years} = 13.3086\%$.

Financial Condition and Rates

Based on a review of Commission records, U.S. 60 District has not sought a general base rate adjustment since 2017.⁶ U.S. 60 District's only rate increases have occurred 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.⁷ 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.⁸

Based upon a review of the annual and audit reports filed with the Commission, U.S. 60 District's rate based income (adjusted net income minus principal payments) and (rate based income plus depreciation) were positive in all years and it also has a strong cash position. U.S. 60 District should consider filing future rate cases at least every three to five years depending on financial performance.

⁶ Case No. 2017-00338, *Electronic Application of U.S. 60 Water District of Shelby and Franklin Counties for an Alternative Rate Adjustment* (Ky. PSC Mar. 21, 2018), final Order.

⁷ See Case No. 2019-00041, *Electronic Investigation Into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

⁸ See Case No. 2019-00041, Nov. 22, 2019 final Order.

Description / Year	Audited 2019	Audited 2020	Audited 2021	Audited 2022	Audited 2023
Adjusted Net Income					
Net Income / (Loss) before Contributions	\$ 258,366	\$ 258,687	\$ 351,728	\$ 350,909	\$ 360,208
Subtract: Principal Payments ()	(188,924)	(192,746)	(171,809)	(174,213)	(181,660)
Rate Based Income	\$ 327,808	\$ 65,941	\$ 179,919	\$ 176,696	\$ 178,548
Add: Depreciation Expense	220,101	224,104	225,009	226,588	230,650
Cash Basis Income	\$ 547,909	\$ 290,045	\$ 404,928	\$ 403,284	\$ 409,198
Cash Basis Income as Percent of Depreciation	249%	129%	180%	178%	177%
Capital Spending	\$ 283,930	\$ 71,423	\$ 47,527	\$ 389,104	\$ 701,721
Cash and Investments					
Unrestricted Cash and Investments	\$ 1,169,230	\$ 1,170,961	\$ 1,182,170	\$ 1,183,614	\$ 1,183,376
Restricted Funds (exclude construction funds from bond proceeds)	1,421,303	666,100	1,060,246	1,905,740	1,791,474
Adjusted Cash Balances	2,590,533	1,837,061	2,242,416	3,089,354	2,974,850
Net Increase (Decrease) in Cash	\$ 196,037	\$ (753,472)	\$ 405,355	\$ 846,938	\$ (114,504)
Selected Statistical Information (PSC Annual Reports)					
Customer Count	2,495	2,526	2,562	2,599	2,626
Gallons Purchased	180,069	176,497	173,527	187,277	190,793
Gallons Sold	142,593	147,110	144,862	148,761	149,200
Gallons Used for Internal Use	13,599	13,714	11,010	15,992	15,861
Water Loss Gallons	23,877	15,673	17,655	22,524	25,732
System Use Percentage	7.5521%	7.7701%	6.3448%	8.5392%	8.3132%
Water Loss Percentage	13.2599%	8.8800%	10.1742%	12.0271%	13.4869%
Per Cust Per Month Gallons	4,763	4,853	4,712	4,770	4,735
Revenue	\$ 1,443,278	\$ 1,461,475	\$ 1,486,183	\$ 1,513,159	\$ 1,537,293
Purchased Water Expense	451,488	466,606	416,133	442,842	473,025
Purchased Water Expense Over 15% Water Loss	0	0	0	0	0
Water Loss Expense Over 15% as Percentage of Total Revenue	0.00%	0.00%	0.00%	0.00%	0.00%

Purchased Water Adjustment Factor

In its application, U.S. 60 District proposed a purchased water adjustment factor of \$0.07 per 1,000 gallons. During the 12 months ended April 30, 2025, U.S. 60 District purchased 187,727,000 gallons of water from Shelbyville and 19,924,275 gallons of water from Frankfort Plant Board and sold 165,443,789 gallons of water to its customers. The increase in the cost of purchased water from Shelbyville is \$11,263.62, resulting in a purchased water adjustment factor of \$0.07 per 1,000 gallons. No rate changes occurred from Frankfort Plant Board.

The purchased water adjustment factor of \$0.07 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 U.S. 60 District on and after June 19, 2025, because the rates are supported by evidence of the increase in rates

from U.S. 60 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 \$0.07 per 1,000 gallons is approved.
2. The rates proposed by U.S. 60 District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by U.S. 60 District on and after June 19, 2025.
4. Within 20 days of the date of service of this Order, U.S. 60 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.

PUBLIC SERVICE COMMISSION

Chairman



Vice Chairman

Commissioner



ATTEST:


Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00152 DATED JUN 20 2025

	Base Rate	New Rate	Change
<u>Shelbyville</u>			
Purchases in Gallons	187,727,000	187,727,000	
Rate per 1,000 Gallons	<u>\$2.47/1,000</u>	<u>\$2.53/1,000</u>	
Subtotal	\$463,685.69	\$474,949.31	\$11,263.62
<u>Frankfort Plant Board</u>			
Purchases in Gallons	19,924,275	19,924,275	
Rate per 1,000 Gallons	<u>\$2.84/1,000</u>	<u>\$2.84/1,000</u>	
Sub-total	\$56,584.94	\$56,584.94	no change
Total	\$520,270.63	\$531,534.25	
Increased water cost			\$11,263.62
Increased water cost		\$11,263.62	
Divided by Gallons sold/1,000		<u>165,443,789</u>	
Purchased water adjustment factor		\$0.07	per 1,000 Gallons
		or \$ 0.00007	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00152 DATED JUN 20 2025

The following rates and charges are prescribed for the customers in the area served by U.S. 60 Water District of Shelby and Franklin counties, KY. 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	1,000 Gallons	\$18.72	Minimum Bill
Next	2,000 Gallons	0.01012	Per Gallon
Next	2,000 Gallons	0.00862	Per Gallon
Over	5,000 Gallons	0.00792	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$56.20	Minimum Bill
Over	5,000 Gallons	0.00792	Per Gallon

1 1/2-Inch Meter

First	15,000 Gallons	\$135.40	Minimum Bill
Over	15,000 Gallons	0.00792	Per Gallon

2-Inch Meter

First	25,000 Gallons	\$214.60	Minimum Bill
Over	25,000 Gallons	0.00792	Per Gallon

Bulk User Rate

First	1,000 Gallons	\$15.12	Minimum Bill
Over	1,000 Gallons	0.01012	Per Gallon

Wholesale Rates

First	25,000 Gallons	\$190.00	Minimum Bill
Over	25,000 Gallons	0.00692	Per Gallon

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