

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF CALDWELL COUNTY	)	2024-00409
WATER DISTRICT	)	

ORDER

On January 7, 2025,<sup>1</sup> Caldwell County Water District (Caldwell 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

Caldwell District purchases water from city of Princeton (Princeton) and South Hopkins Water District (South Hopkins District). Princeton notified Caldwell District that

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<sup>1</sup> Caldwell District tendered its application on December 27, 2024 and by letter dated January 7, 2025, Caldwell District was informed that its application was deficient. On January 7, 2025, Caldwell District filed information that resolved the filing deficiencies, and the application was deemed filed.

its wholesale rate would increase from \$3.583 per 1,000 gallons to \$3.904 per 1,000 gallons, effective January 1, 2025.<sup>2</sup> South Hopkins District proposed no changes its wholesale water rates. Caldwell District proposed to increase the water rates to its customers effective January 1, 2025, to reflect the increased cost of purchased water from Princeton.

#### 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, Caldwell District reported a water loss of 19.5933 percent.<sup>3</sup> In its 2022 Annual Report filed with the Commission, Caldwell District reported a water loss of 29.3435 percent.<sup>4</sup> In its 2023 Annual Report filed with the Commission, Caldwell District reported a water loss of 23.5129 percent.<sup>5</sup> Caldwell District's three-year water loss average is 24.1499 percent.<sup>6</sup>

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<sup>2</sup> TFS2023-00375 (Ky. PSC Dec. 11, 2023); Princeton submitted the tariff on August 16, 2023, and the tariff was accepted for filing by the Commission by letter dated December 11, 2023, with an effective date of January 1, 2024. The second phase rates were approved to go into effect on January 1, 2025.

<sup>3</sup> *Annual Report of Caldwell District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

<sup>4</sup> *Annual Report of Caldwell District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

<sup>5</sup> *Annual Report of Caldwell District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

<sup>6</sup>  $19.5933 + 29.3435 + 23.5129 = 72.4497 / 3 \text{ years} = 24.1499\%$ .

The cost of Caldwell District's total water loss based on three-year water loss average is \$125,970.54.<sup>7</sup>

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Caldwell District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Caldwell District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

#### Financial Condition and Rates

Based on a review of Commission records, Caldwell District's last general base rate adjustment was in Case No. 2021-00423 (2020 test year) which became final on September 12, 2022, and reflected an increase of \$214,758, or 16.24 percent.<sup>8</sup>

Based upon a review of the annual and audit reports filed with the Commission from 2019 through 2023,<sup>9</sup> Caldwell District's rate based income (adjusted net income minus principal payments) and cash basis income (rate based income plus depreciation expense) were positive in 2023 reflecting the rate increase noted above. Caldwell District should monitor its operating performance annually to determine whether a rate adjustment application should be submitted. Future rate cases should be filed at least

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<sup>7</sup> Total water cost at new wholesale rate of \$521,619.30 times 24.1499% water loss equals \$125,970.54.

<sup>8</sup> Case No. 2021-00423, *Electronic Application of Caldwell County Water District for an Alternative Rate Adjustment* (Ky. PSC Sep. 12, 2022), final Order at 13.

<sup>9</sup> Caldwell County Water District Financial Statements for the year ended December 31, 2019, 2020, 2021, 2022, 2023.

every three to five years to ensure that the Commission has appropriate oversight of a utility's rate sufficiency.

#### Purchased Water Adjustment Factor

In its application, Caldwell District proposed a purchased water adjustment factor of \$0.48 per 1,000 gallons. During the 12 months ended October 2024, Caldwell District purchased 132,899,492 gallons of water from Princeton and 780,810 gallons of water from South Hopkins District and sold 88,841,413 gallons of water to its customers. The increase in the cost of purchased water from Princeton is \$42,661, resulting in a purchased water adjustment factor of \$0.48 per 1,000 gallons.

The purchased water adjustment factor of \$0.48 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 Caldwell District on and after January 1, 2025, because the rates are supported by evidence of the increase in rates from one of Caldwell 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 \$0.48 per 1,000 gallons is approved.
2. The rates proposed by Caldwell District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Caldwell District on and after January 1, 2025.

4. Within 20 days of the date of service of this Order, Caldwell 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

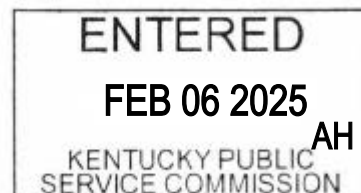
  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



# APPENDIX A

## APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00409 DATED FEB 06 2025

\* Denotes Rounding

	Base Rate	New Rate	Change
<u>Princeton</u>			
Purchases in Gallons	132,899,492	132,899,492	
Rate per 1,000 Gallons	<u>\$3.583/1,000</u>	<u>\$3.904/1,000</u>	
Subtotal	\$476,178.88	\$518,839.62	\$42,660.74
 <u>South Hopkins District</u>			
Purchases in Gallons	780,810	780,810	
Rate per 1,000 Gallons	<u>\$3.56/1,000</u>	<u>\$3.56/1,000</u>	
Sub-total	\$2,779.68	\$2,779.68	no change
 Total	\$478,958.56	\$521,619.30	
 Increased water cost			\$42,660.74
 Increased water cost*		\$42,661	
Divided by Gallons sold/1,000		<u>88,841,413</u>	
Purchased water adjustment factor*		\$0.48	per 1,000 Gallons
		or \$0.00048	per Gallon

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00409 DATED FEB 06 2025

The following rates and charges are prescribed for the customers in the area served by Caldwell 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

##### All Size Meter

First	1,000 Gallons	\$30.47 Minimum Bill
Next	3,000 Gallons	0.01637 Per Gallon
Next	6,000 Gallons	0.01354 Per Gallon
Next	20,000 Gallons	0.01072 Per Gallon
Over	30,000 Gallons	0.00953 Per Gallon



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