

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|------------|
| ELECTRONIC PURCHASED WATER |) | CASE NO. |
| ADJUSTMENT FILING OF BIG SANDY WATER |) | 2025-00056 |
| DISTRICT |) | |

ORDER

On March 4, 2025, Big Sandy Water District (Big Sandy 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

Big Sandy District purchases water from city of Ashland (Ashland), Rattlesnake Ridge Water District (Rattlesnake Ridge District), Cannonsburg Water District (Cannonsburg District), the city of Kenova, West Virginia (Kenova), and the city of Louisa (Louisa). At the conclusion of seeking a rate adjustment pursuant to 807 KAR 5:076,

Rattlesnake Ridge District notified Big Sandy District that its wholesale rate would increase from \$4.56 per 1,000 gallons to \$4.84 per 1,000 gallons, effective July 12, 2024.¹ Subsequently, in December 2024, Ashland notified Big Sandy District that its wholesale rate would increase from \$2.94 per 1,000 gallons to \$3.64 per 1,000 gallons, effective February 1, 2025.² Consequently, Big Sandy District proposes to increase the water rates to its customers effective March 1, 2025, to reflect the increased cost of purchased water from Ashland and Rattlesnake Ridge District. Cannonsburg District, Kenova, and Louisa did not propose any rate changes.

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, Big Sandy District reported a water loss of 39.2123 percent.³ In its 2022 Annual Report filed with the Commission, Big Sandy District reported a water loss of 41.0319 percent.⁴ In its 2023 Annual Report filed with the Commission, Big Sandy District reported a water loss of

¹ Case No. 2023-00338, *Electronic Application of Rattlesnake Ridge Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC July 12, 2024), final Order.

² TFS2024-00584 (Ky. PSC Dec. 27, 2024); Big Sandy District submitted the tariff on December 27, 2024, and the tariff was accepted for filing by the Commission by letter dated January 24, 2025, with an effective date of February 1, 2025.

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

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

39.1332 percent.⁵ Big Sandy District's three-year water loss average is 39.7925 percent.⁶ The cost of Big Sandy District's total water loss using a three-year average is approximately \$427,292.64.⁷

In Big Sandy District's recent rate case,⁸ the Commission approved a monthly water loss reduction surcharge of \$6.42 per customer for 60 months to help lower system losses to more acceptable levels.⁹ On September 13, 2022, Case No. 2022-00301 was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established by Big Sandy District.¹⁰

Financial Condition and Rates

Based upon a review of the annual and audit reports filed with the Commission, Big Sandy District last sought a general base rate adjustment in Case No. 2022-00044,¹¹ which reflected an increase of \$226,154 or 8.67 percent, with a two phase rate increase effective on October 31, 2022, and October 31, 2023. Rate based income (adjusted net income minus principal payments) was negative from 2019 through 2021 and positive in

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

⁶ $39.2123\% + 41.0319\% + 39.1332\% = 119.3774 / 3 \text{ years} = 39.7925\%$.

⁷ Total water cost at new wholesale rate of \$1,073,801.95 times 39.7925% water loss equals \$427,292.64.

⁸ Case No. 2022-00044, *Electronic Application of Big Sandy Water District for an Adjustment of its Water Rates Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 13, 2022), final Order.

⁹ Case No. 2022-00044, Sept. 13, 2022 Order at 22, ordering paragraph 7.

¹⁰ Case No. 2022-00301, *Electronic Big Sandy Water District's Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Sept. 13, 2022), opening Order.

¹¹ See Case No. 2022-00044, Sept. 13, 2022 Order.

2022 and 2023. Cash basis income (rate based income plus depreciation expense) was negative in 2019 and 2020 and positive in 2021 through 2023.

The Commission recommends that Big Sandy District monitor its operating performance annually to determine whether a rate adjustment application should be submitted, and to file future rate cases at least every three to five years depending on financial performance.

Purchased Water Adjustment Factor

In its application, Big Sandy District proposed a purchased water adjustment factor of \$0.06 per 1,000 gallons. During the 12 months ended December 31, 2024, Big Sandy District purchased 13,837,290 gallons of water from Ashland, 7,648,000 gallons of water from Rattlesnake Ridge District, 1,057,630 gallons of water from Cannonsburg District, 256,403,500 gallons of water from Kenova, and 107,099,300 gallons of water from Louisa.¹² Big Sandy District sold 224,202,904 gallons of water to its customers.¹³ The increase in the cost of purchased water from Ashland and Rattlesnake Ridge District is \$11,827.54, resulting in a purchased water adjustment factor of \$0.06 per 1,000 gallons. No rate changes occurred from Cannonsburg District, Kenova, or Louisa.

The purchased water adjustment factor of \$0.06 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 Big Sandy District on and after March 1, 2025, because the rates are supported by evidence of the increase in

¹² Application at 2.


¹³ Application at 2.

rates from Big Sandy 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:

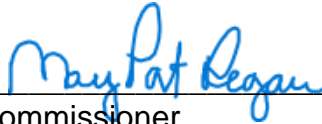
1. The purchased water adjustment factor of \$0.06 per 1,000 gallons is approved.
2. The rates proposed by Big Sandy District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Big Sandy District on and after March 1, 2025.
4. Within 20 days of the date of service of this Order, Big Sandy 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:

 *LB*

Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00056 DATED APR 2 2025

| | Base Rate | New Rate | Change |
|-------------------------------|---------------------|---------------------|-------------------|
| <u>Ashland</u> | | | |
| Purchases in Gallons | 13,837,290 | 13,837,290 | |
| Rate per 1,000 Gallons | <u>\$2.94/1,000</u> | <u>\$3.64/1,000</u> | |
| Subtotal | \$40,681.63 | \$50,367.74 | \$9,686.11 |
| <u>Rattlesnake Ridge</u> | | | |
| Purchases in Gallons | 7,648,000 | 7,648,000 | |
| Rate per 1,000 Gallons | <u>\$4.56/1,000</u> | <u>\$4.84/1,000</u> | |
| Sub-total | \$34,874.88 | \$37,016.32 | \$2,141.44 |
| <u>Cannonsburg</u> | | | |
| Purchases in Gallons | 1,057,630 | 1,057,630 | |
| Rate per 1,000 Gallons | <u>\$4.60/1,000</u> | <u>\$4.60/1,000</u> | |
| Sub-total | \$4,865.10 | \$4,865.10 | no change |
| <u>Kenova</u> | | | |
| Purchases in Gallons | 256,403,500 | 256,403,500 | |
| Rate per 1,000 Gallons | <u>\$2.55/1,000</u> | <u>\$2.55/1,000</u> | |
| Sub-total | \$653,828.93 | \$653,828.93 | no change |
| <u>Louisa</u> | | | |
| Purchases in Gallons | 107,099,300 | 107,099,300 | |
| Rate per 1,000 Gallons | <u>\$3.06/1,000</u> | <u>\$3.06/1,000</u> | |
| Sub-total | \$327,723.86 | \$327,723.86 | no change |
| Total | \$1,061,974.40 | \$1,073,801.95 | |
| Increased water cost | | | \$11,827.55 |
| Increased water cost | | \$11,827.55 | |
| Divided by Gallons sold/1,000 | | <u>224,202,904</u> | |
| Purchased water adjustment | | | |
| factor | | \$0.06 | per 1,000 Gallons |
| | | or \$ 0.00006 | per Gallon |

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00056 DATED APR 2 2025

The following rates and charges are prescribed for the customers in the area served by Big Sandy 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 | 1,000 Gallons | \$19.89 | Minimum Bill |
| Next | 9,000 Gallons | 0.01028 | Per Gallon |
| Next | 10,000 Gallons | 0.00702 | Per Gallon |
| Next | 20,000 Gallons | 0.00653 | Per Gallon |
| Over | 40,000 Gallons | 0.00625 | Per Gallon |

1-Inch Meter

| | | | |
|-------|----------------|----------|--------------|
| First | 10,000 Gallons | \$112.37 | Minimum Bill |
| Next | 10,000 Gallons | 0.00702 | Per Gallon |
| Next | 20,000 Gallons | 0.00653 | Per Gallon |
| Over | 40,000 Gallons | 0.00625 | Per Gallon |

1 1/2-Inch Meter

| | | | |
|-------|----------------|----------|--------------|
| First | 20,000 Gallons | \$182.52 | Minimum Bill |
| Next | 20,000 Gallons | 0.00653 | Per Gallon |
| Over | 40,000 Gallons | 0.00625 | Per Gallon |

2-Inch Meter

| | | | |
|-------|----------------|----------|--------------|
| First | 40,000 Gallons | \$313.03 | Minimum Bill |
| Over | 40,000 Gallons | 0.00625 | Per Gallon |

3-Inch Meter

| | | | |
|-------|-----------------|----------|--------------|
| First | 100,000 Gallons | \$688.29 | Minimum Bill |
| Over | 100,000 Gallons | 0.00625 | Per Gallon |

4-Inch Meter

| | | | |
|-------|-----------------|------------|--------------|
| First | 200,000 Gallons | \$1,313.70 | Minimum Bill |
| Over | 200,000 Gallons | 0.00625 | Per Gallon |

Wholesale Rate

| | |
|---------|------------|
| 0.00625 | Per Gallon |
|---------|------------|

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