

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF NORTH NELSON	)	2025-00143
WATER DISTRICT	)	

ORDER

On June 2, 2025, North Nelson Water District (North Nelson 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. On June 10, 2025, North Nelson District submitted an amended application, and the purchased water adjustment was deemed filed as of that date.

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

North Nelson District purchases water from Louisville Water Company (Louisville Water) and the city of Bardstown (Bardstown). Louisville Water notified North Nelson

District that its wholesale rate would increase from \$2.72 per 1,000 gallons to \$2.79 per 1,000 gallons, and its monthly service charges would increase from \$157.95 to \$164.67 per 4-inch meter, and from \$368.56 to \$384.22 per 6-inch meter, effective July 1, 2025.<sup>1</sup> North Nelson District proposes to increase the water rates to its customers effective July 1, 2025, to reflect the increased cost of purchased water from Louisville Water. Bardstown 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 2022 Annual Report filed with the Commission, North Nelson District reported a water loss of 6.7286 percent.<sup>2</sup> In its 2023 Annual Report filed with the Commission, North Nelson District reported a water loss of 8.4565 percent.<sup>3</sup> In its 2024 Annual Report filed with the Commission, North Nelson District reported a water loss of 7.9230 percent.<sup>4</sup> North Nelson District's three-year water loss average is 7.7027 percent.<sup>5</sup>

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<sup>1</sup> TFS2025-00140 (Ky. PSC Mar. 28, 2025), Louisville Water submitted the tariff on March 28, 2025, and the tariff was accepted for filing by the Commission by letter dated June 18, 2025, with an effective date of July 1, 2025.

<sup>2</sup> *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2022* at 58.

<sup>3</sup> *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2023* at 58.

<sup>4</sup> *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2024* at 58.

<sup>5</sup>  $6.7286\% (2022) + 8.4565\% (2023) + 7.9230\% (2024) = 23.1081 / 3 \text{ years} = 7.7027 \text{ percent.}$

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. While North Nelson's water loss has trended below 15 percent, the Commission encourages North Nelson District to continue to monitor its unaccounted-for water loss.

#### Financial Condition and Rates

Based on a review of Commission records, North Nelson District's last rate adjustment, filed pursuant to 807 KAR 5:076, was in 2024-00234,<sup>6</sup> (2023 test year) which became final on May 15, 2025, and reflected a revenue increase of \$91,714.00, or 5.23 percent.

Based upon a review of the annual and audit reports filed with the Commission, North Nelson District's rate-based income (adjusted net income minus principal payments) was positive in 2020, 2021, and 2023 but was negative in 2022 and 2024. Cash basis income (rate based income plus depreciation expense) was positive in all years. The Commission notes that the degradation in operating income in 2022 was primarily due to a \$202,084 increase in repairs and maintenance expense, which is about 2.59 times the 2021 amount. A financial snapshot of North Nelson District's most recent five-year period is presented in the table below. Given this information, the Commission recommends North Nelson District continue to monitor its operating performance annually and consider filing future rate cases no less than every three to five years, depending on operating performance, to ensure that its revenue is sufficient to support adequate and reliable service.

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<sup>6</sup> Case No. 2024-00234, *Electronic Application of North Nelson Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 15, 2025), final Order.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss) before Contributions	\$ 136,384	\$ 117,457	\$ (106,648)	\$ 1,399	\$ (116,961)
<b>Adjusted Net Income / (Loss) before Contributions</b>	<b>\$ 136,384</b>	<b>\$ 117,457</b>	<b>\$ (106,648)</b>	<b>\$ 1,399</b>	<b>\$ (116,961)</b>
Subtract: Principal Payments ( )	(85,000)	0	0	0	0
<b>Rate Based Income</b>	<b>\$ 187,768</b>	<b>\$ 117,457</b>	<b>\$ (106,648)</b>	<b>\$ 1,399</b>	<b>\$ (116,961)</b>
Add: Depreciation Expense	299,782	317,783	321,444	344,282	418,298
<b>Cash Basis Income</b>	<b>\$ 487,550</b>	<b>\$ 435,240</b>	<b>\$ 214,796</b>	<b>\$ 345,681</b>	<b>\$ 301,337</b>
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 1,167,360	\$ 2,832,264	\$ 2,933,765	\$ 3,216,467	\$ 3,138,522
Restricted Funds (exclude construction funds from bond proceeds)	1,463,446	23,738	29,821	31,111	27,924
Less Restricted Construction Funds ( )	(1,064,637)	0	0	0	0
Adjusted Cash Balances	1,566,169	2,856,002	2,963,586	3,247,578	3,166,446
Net Increase (Decrease) in Cash	\$ (486,092)	\$ 1,289,833	\$ 107,584	\$ 283,992	\$ (81,132)

(1) The beginning 2020 balance was restated for establishment of regulatory asset for Pension and OPEB; this negates the fluctuation in pension and OPEB expense (contributions will equal expense) which makes year to year financial comparisons less confusing (no adjustment is required).

(2) Excludes \$840,000 early extinguishment of debt. The District had no finance debt as of December 31, 2020.

*Selected Statistical Information (PSC Annual Reports)*

Customer Count	4,899	4,961	5,013	5,111	5,160
Gallons Purchased	289,896	283,404	302,365	311,336	327,086
Gallons Sold	267,621	260,187	273,847	273,230	289,329
Gallons Used for Internal Use	5,919	7,251	8,173	11,778	11,842
Water Loss Gallons	16,356	15,966	20,345	26,328	25,915
System Use Percentage	2.0418%	2.5585%	2.7030%	3.7831%	3.6205%
Water Loss Percentage	5.6420%	5.6337%	6.7286%	8.4565%	7.9230%

## Purchased Water Adjustment Factor

In its application, North Nelson District proposed a purchased water adjustment factor of \$0.07 per 1,000 gallons. During the 12 months ended April 30, 2025, North Nelson District purchased 284,383,000 gallons of water from Louisville Water and 46,828,300 gallons of water from Bardstown and sold 297,645,200 gallons of water to its customers. The increase in the cost of purchased water from Louisville Water is \$20,175.37, resulting in a purchased water adjustment factor of \$0.07 per 1,000 gallons.

The Commission finds that 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 North Nelson District on and after July 1, 2025, because the rates are supported by


evidence of the increase in rates from North Nelson 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 North Nelson District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North Nelson District on and after July 1, 2025.
4. Within 20 days of the date of service of this Order, North Nelson 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

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



Case No. 2025-00143

# APPENDIX A

## APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00143 DATED JUL 09 2025

	Base Rate	New Rate	Change
<u>Louisville Water</u>			
<u>Company</u>			
Purchases in Gallons	284,383,000	284,383,000	
Rate per 1,000 Gallons	<u>\$2.72/1,000</u>	<u>\$2.79/1,000</u>	
Subtotal	\$773,521.76	\$793,428.57	\$19,906.81
Months	12	12	
4-Inch Meter	\$157.95	\$164.67	
6-Inch Meter	<u>\$368.56</u>	<u>\$384.22</u>	
Subtotal	\$6,318.12	\$6,586.68	\$268.56
<u>Bardstown</u>			
Purchases in Gallons	46,828,300	46,828,300	
Rate per 1,000 Gallons	<u>\$2.72/1,000</u>	<u>\$2.72/1,001</u>	
Subtotal	\$127,372.98	\$127,372.98	\$0.00
Total Water Cost	\$907,212.86	\$927,388.23	
Increased water cost			\$20,175.37
Increased water cost		\$20,175.37	
Divided by Gallons sold/1,000		<u>297,645,200</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. 2025-00143 DATED JUL 09 2025

The following rates and charges are prescribed for the customers in the area served by North Nelson 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 Meters

First	2,000 Gallons	\$17.20	Minimum Bill
Next	3,000 Gallons	0.00526	Per Gallon
Next	5,000 Gallons	0.00471	Per Gallon
Over	10,000 Gallons	0.00434	Per Gallon
Truck Loading Station		0.00821	Per Gallon
Wholesale		0.00306	Per Gallon



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