

PURCHASED WATER ADJUSTMENT FOR
WATER DISTRICTS AND WATER ASSOCIATIONS
(807 KAR 5:068)

Name of Utility	North Mercer Water District	
Date	August 2, 2023	
Address	108 Main Street	
City, State, Zip	Salvisa, KY	40372
Telephone Number	859-865-2292	
Email Address	mlee@northmercerwater.org	

1.a. Name of all wholesale suppliers and the base (current) rate and changed rate of each. In the event the water purchased is billed by the supplier on a rate that is not a flat rate schedule, the entire rate schedule must be shown. Attach additional sheets if necessary.

Supplier(s)	Base Rate	Changed Rate
City of Harrodsburg	See Attached	See Order
South Anderson Water	No Change	No Change

1.b. A copy of the supplier's notice of the changed rate showing the effective date of the increase is attached as Exhibit A

2. Twelve-month period upon which the purchased water adjustment is based. (This twelve-month period must end within 90 days of this filing).

From	July 2022	through	June 2023
	(month and year)		(month and year)

3. Statement of water purchases. Where water is purchased from more than one supplier, purchases from each supplier must be shown separately. If water is purchased through a declining block rate schedule, purchases for each month must be shown. Attach an additional sheet if necessary.


South Anderson Water District	32,783,200
City of Harrodsburg	272,541,512
4. Total gallons sold for the 12 month period	256,504,000
5. Increased water cost	130,500.50
The increased water cost is the cost difference between purchases at base (current rate) and purchases at new rate. The calculation and all supporting documents used to determine the change in purchased water costs sufficient to determine the accuracy of the calculation is attached as Exhibit B	
6. Purchased water adjustment factor	\$.51
The purchased water adjustment factor is obtained by dividing the increased cost of water by the total gallons sold. Note: The purchased water adjustment factor is added to each thousand gallons sold. If the minimum usage is 2,000 gallons then the purchased water adjustment factor would be added to the minimum bill twice.	
7. A schedule listing the current and proposed rates is attached as Exhibit C	
8. A copy of the resolution or other document of the utility's governing body authorizing the proposed rates is attached as Exhibit D	
9. Proposed effective date	September 8, 2023
 Signature of Utility Officer General Manager Title	

Exhibit A

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF THE CITY OF)	CASE NO.
HARRODSBURG WATER DEPT. REVISING ITS)	2022-00349
WHOLESALE WATER SERVICE RATES)	

ORDER

On October 14, 2022, the city of Harrodsburg Water Department (Harrodsburg) filed with the Commission a revised tariff sheet setting forth a proposed adjustment to its existing rates for wholesale water service to Lake Village Water Association (Lake Village Water) and North Mercer Water District (North Mercer District) effective October 31, 2022. On its own motion, the Commission opened a formal proceeding to investigate the reasonableness of the proposed rate and establish a procedural schedule. The Commission suspended the proposed tariff revisions on October 25, 2022, for five months, up to and including March 30, 2023.

On December 21, 2022, Harrodsburg filed a motion seeking the Commission's acceptance of its filing of its proposed tariff related to a rate case expense surcharge and to incorporate the issue of the reasonableness of that surcharge into the record of this proceeding. The Commission granted Harrodsburg's motion and found that, in proposing the surcharge, Harrodsburg effectively made a motion to amend and filed a revised tariff sheet with an effective date of January 21, 2023. As a result, the Commission issued an Order on January 20, 2023, that suspended the amended proposed tariff revision for five months, up to and including May 21, 2023.

Harrodsburg responded to three requests for information from Commission Staff. There are no intervenors to this matter. On March 31, 2023, Harrodsburg filed a statement waiving a hearing and requesting that this matter be decided on the written record. This matter stands submitted for a decision on the written record.

LEGAL STANDARD

Pursuant to KRS 278.200, the Commission has jurisdiction over Harrodsburg's rates for wholesale water service to Lake Village Water and North Mercer District. The Supreme Court's decision in *Simpson County Water District v. City of Franklin*, specifically stated that "where contracts have been executed between a utility and a city . . . KRS 278.200 is applicable and requires that by so contracting the City relinquishes the exemption and is rendered subject to the PSC rates and service regulation."¹

Following the Court's decision in *Simpson County*, the Commission has allowed city-owned utilities to file rate adjustments by a tariff filing, and if a hearing is requested and the Commission suspends the proposed rate, the requirements and procedures set forth in KRS Chapter 278, and the Commission's regulations, apply equally to filings by a city-owned utility or a jurisdictional utility.²

Harrodsburg's wholesale water rates charged to Lake Village Water and North Mercer District is subject to KRS 278.030, which provides that a utility may collect fair, just and reasonable rates. KRS 278.190(3) provides that the applicant has the burden of proof to show that an increased rate is just and reasonable.

¹ *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460, 463 (Ky. 1994).

² *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460, 463 (Ky. 1994); *City of Danville v. Public Service Comm'n, et al.*, Civil Action No. 15-CI-00989, Opinion and Order (Franklin Circuit Court Division II, June 14, 2016).

KRS 278.260 explains the Commission on its own motion may investigate whether “any regulation, measurement, practice or act affecting or relating to the service of the utility or any service in connection therewith is unreasonable.”

Harrodsburg presents two issues to the Commission. The first issue is whether Harrodsburg’s proposed rate increases to Lake Village Water and North Mercer District are fair, just and reasonable based upon the evidentiary record and the second issue is whether Harrodsburg's rate case expense and the proposed 36-month surcharge to recover that expense is fair, just and reasonable based upon the evidentiary record. Thus, in accordance with KRS 278.030, 278.200, and KRS 278.260, the Commission must determine whether both Harrodsburg’s proposed rate increases and proposed rate case expense surcharge are fair, just and reasonable based upon the evidentiary record.

BACKGROUND

Harrodsburg is a city of the fourth class that, through its water and sewer divisions, operates facilities providing water service to 4,902 customers and sanitary sewer service to 4,399 customers located in and near Harrodsburg, Kentucky.³ Harrodsburg also provides wholesale water service to the North Mercer District and to Lake Village Water.

Lake Village Water, a water association organized pursuant to KRS Chapter 273, provides water service to approximately 2,328 residential and commercial customers in

³ Harrodsburg’s Response to Commission Staff’s Third Request for Information (filed Feb. 9, 2023), Item 1.

Boyle and Mercer counties, Kentucky.⁴ Lake Village Water’s last general rate adjustment occurred in 2022.⁵

North Mercer District is a water district organized pursuant to KRS Chapter 74 that owns and operates a water distribution system through which it provides retail water service to approximately 4,639 customers that reside in the Kentucky counties of Anderson, Boyle, Mercer, and Washington.⁶ North Mercer District’s last general rate adjustment occurred in 2016.⁷

DISCUSSION

Wholesale Rate Increase

The table below is a comparison of Harrodsburg’s current and proposed volumetric wholesale rates for Lake Village Water and North Mercer District.

			<u>Current Rates</u>	<u>Proposed Rates</u>	<u>\$ Change</u>	<u>% Change</u>
First	250	Min. Bill.	\$ 11.84000	\$ 13.12000	\$ 1.28000	10.8%
Next	750	Per Cubic Foot	0.0450	0.0498	0.00480	10.7%
Next	3,000	Per Cubic Foot	0.0391	0.0432	0.00410	10.5%
Next	6,000	Per Cubic Foot	0.0332	0.0367	0.00350	10.5%
Next	25,000	Per Cubic Foot	0.0283	0.0313	0.00300	10.6%
Next	25,000	Per Cubic Foot	0.0236	0.0261	0.00250	10.6%
Over	60,000	Per Cubic Foot	0.0190	0.0209	0.00190	10.0%

⁴ Annual Report of Lake Village Water Association to the Public Service Commission for the Calendar Year Ended December 31, 2021 at 12 and 49.

⁵ Case No. 2016-00068, *Electronic Application of Lake Village Water Association, Inc. for rate Adjustment Made Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 4, 2022).

⁶ Annual Report of North Mercer Water District to the Public Service Commission for the Calendar Year Ended December 31, 2021 at 12 and 49.

⁷ Case No. 2016-00325, *Electronic Application of North Mercer Water District for rate Adjustment Made Pursuant to 807 KAR 5:076* (Ky. PSC Apr. 19, 2017).

Harrodsburg admitted that it did not use a formal cost-of-service study to calculate the proposed wholesale water rate increase.⁸ Harrodsburg's proposed rate increase is not based upon the actual cost of producing water or a cost of service study as the Commission generally requires; it is instead based upon a contractually agreed-upon increase based on a retail water rate increase. According to Harrodsburg, the water contracts with Lake Village Water and North Mercer District state, "[i]n the event the City should increase or decrease its rates of charge to its customers, an equal increase or decrease will be made in its charges to the District."⁹ Harrodsburg contends that the proposed 10.5 percent wholesale rate increase is reasonable given that the calculation performed by GRW Engineers shows that Harrodsburg could justify an increase of 53.217 percent.¹⁰

Harrodsburg explained that its proposed increase to the wholesale water rate of 10.5 percent was necessary to fund its infrastructure projects that were undertaken to expand water lines and to replace outdated service lines.¹¹ Furthermore, Harrodsburg claims that it was required to borrow money from the General Fund to balance the water and sewer divisions revenue in last year's budget.¹²

⁸ Harrodsburg's Responses to Commission Staff's Second Request for Information (Staff's Second Request) (filed Jan. 12, 2023), Item 1.

⁹ Harrodsburg's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Dec. 12, 2022), Item 2.

¹⁰ Harrodsburg's Responses to Staff's First Request (filed Dec. 12, 2022), Item 2. In calculating the Required Revenue Percentage Increase of 34.73%, GRW Engineering mistakenly divided the Required Revenue Increase of \$1,419,839 by the Revenue Requirement – Water Rates of \$4,087,861. The correct calculation: $\$1,419,839$ (Required Revenue Increase) \div $\$2,668,022$ (Revenue from Service) = 53.217%.

¹¹ Harrodsburg's October 14, 2022 Tariff Filing at unnumbered page 1.

¹² Harrodsburg's October 14, 2022 Tariff Filing at unnumbered page 1.

In reviewing the case record, the Commission concludes that Harrodsburg correctly limited its wholesale water rate increase to the level of the retail water rate increase, and the proposed increase is in accordance with its wholesale water service contracts with Lake Village Water and North Mercer District. Harrodsburg also presented an analysis prepared by GRW Engineering that it could justify an increase in the wholesale water rate substantially in excess of the requested 10.5 percent increase. Based upon the fact that Harrodsburg's requested increase is limited to the level of its retail water increase, is in compliance with the contracts between the parties, and an analysis evidencing support for the increase was provided, the Commission finds that Harrodsburg's proposed wholesale rate increase is fair, just and reasonable and should be approved.

Rate Case Expense Surcharge

A utility may properly recover reasonable rate case expenses as a cost of doing business.¹³ The Commission has generally permitted rate recovery of a reasonable level of rate case expenses but has disallowed such expenses when a utility has failed to provide adequate documentary evidence of the incurrence of the expense.¹⁴ The Commission has also disallowed such expenses as unreasonable when related to a

¹³ See *Driscoll v. Edison Light & Power Co.*, 307 U.S. 104, 120 (1939).

¹⁴ Case No. 2008-00250, *Proposed Adjustment of the Wholesale Water Service Rates of Frankfort Electric and Water Plant Board* (Ky. PSC Apr. 6, 2009).

poorly or improperly prepared rate application¹⁵ and in cases where the utility failed to justify the high level of expenses for relatively simple alternative rate filings.¹⁶

On December 21, 2022, Harrodsburg filed its request that the Commission accept into the record its proposed rate case expense surcharge tariff and incorporate the issue of the reasonableness of its requested surcharge into the case record. Harrodsburg proposed to assess a monthly rate case surcharge of \$694.44 over 36 months, which according to Harrodsburg is consistent with prior Commission decisions, to recover any rate case expenses incurred to participate in and defend its proposed wholesale water rates. In the tariff filing, Harrodsburg's proposed rate case surcharge was based on estimated rate case expenses of \$50,000.¹⁷ Harrodsburg also requested permission to deviate from the procedures identified in 807 KAR 5:011 pertaining to the filing of tariffs. In its January 20, 2023 Order the Commission accepted Harrodsburg's proposed rate case expense surcharge tariff, allowed the issue of reasonableness of the surcharges to be included into the case record and granted Harrodsburg's motion for a deviation from the filing requirements of 807 KAR 5:011, Section 2.

The Commission evaluates the prudence of rate case expense on a case-by-case basis.¹⁸ Harrodsburg initially estimated rate expenses of \$50,000. However, the invoices

¹⁵ Case No. 8783, *Application of Third Street Sanitation, Inc. for an Adjustment of Rates Pursuant to the Alternative Procedural for Small Utilities* (Ky. PSC Nov. 14, 1983).

¹⁶ Case No. 9127, *Application of Sargent and Sturgeon Builders, Inc., Gardenside Subdivision Sewer Division, for a Rate Adjustment Pursuant to the Alternative Rate Filing for Small Utilities* (Ky. PSC Mar. 25, 1985).

¹⁷ Harrodsburg's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Feb. 9, 2023), Item 8, Excel Workbook: DR_3-8_Harrodsburg_Rate_Case_Expense.xlsx.

¹⁸ Case No.2009-00373, *Proposed Adjustment of the Wholesale service Rates of Hopkinsville Water Environment Authority* (Ky. PSC July 2, 2010)

submitted by Harrodsburg evidence actual rate case expense in the amount of \$14,181. The invoices submitted provide only for attorneys' fees for preparation of the rate application and subsequent motions and pleadings to the Commission, and these legal services encompass the entirety of the rate case expense for which Harrodsburg requests recovery. Based upon its review of the record, the Commission finds that Harrodsburg has provided documentary evidence to support reasonable rate case expense, encompassing only attorney's fees, in an actual amount of \$14,181 that is a fraction of the initial estimated cost.¹⁹ The Commission further concludes that the amount of the actual rate case expense does not appear excessive, is equally split between Harrodsburg's two wholesale customers, and appears reasonable in relation to the complexity of issues presented in this case. For these reasons, the Commission finds that Harrodsburg should be authorized to recover the cost of this rate case expense from its two wholesale water customers, North Mercer District and Lake Village Water.

Harrodsburg argued to recover its rate case cost over a period of 36-months, which it claimed, conforms to past Commission precedent.²⁰ When there is no evidence to support an alternative amortization period, the Commission amortizes an intangible regulatory asset or liability identified in a rate proceeding over the anticipated life of the utility rates approved in that proceeding.²¹ The life is generally based on the frequency

¹⁹ Harrodsburg's Supplemental Response to Staff's Third Request (filed Mar. 31, 2023), Item 8, Excel Workbook: Supplemental_DR_3-8_Harrodsburg_Rate_Case_Expense.xlsx.

²⁰ See Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC Jul. 12, 2018), at Appendix B; and Case No. 2019-00444, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Princeton Water and Wastewater* (KY. PSC Jun. 15, 2020) at 32–36.

²¹ Case No. 2013-00314, *Alternative Rate Adjustment Filing of Par-Tee LLC Oba Perry Park Resort Sewer Utility* (Ky. PSC Staff Report issued Dec. 6, 2013; Final Order issued Feb. 19, 2014) Staff's finding

of the utility's historic rate filings.²² Harrodsburg's last increase in wholesale rates occurred in January 2020.²³ Harrodsburg subsequently sought a rate increase to North Mercer District and Lake Village Water again in 2020, following the rate study by GRW, but Harrodsburg agreed to withdraw the request at that time because the proposed increase did not justify the expense required to litigate a rate case.²⁴ Harrodsburg stated that it has raised rates to its current retail customers three times since the last rate increase for wholesale customers and the GRW study suggested that Harrodsburg use the Consumer Price Index increase each year to prevent a substantial rate increase in the future.²⁵

It is the Commission's opinion that the rates approved in this proceeding will become obsolete within several years due to changes that will likely occur to Harrodsburg's cost of providing wholesale water service. Accordingly, absent a more reasonable amortization period and given the frequency of Harrodsburg's historic rate filings, the Commission is allowing Harrodsburg to recover its allowable rate case expense of \$14,181 over 36-months. Using Harrodsburg's actual legal fees of \$14,181 amortized over 36-months and divided between the two wholesale customers, the

at 13–14 of its report (ordering that “[t]he findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.”).

²² Case No. 2019-00080, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of the City of Pikeville to Mountain Water District* (Ky. PSC Dec. 19, 2019) at 35.

²³ TFS 2019-00624 Increases wholesale water rate to Lake Village Water Association (effective Jan. 1, 2020), and TFS 2019-00626 Increases wholesale water rate to North Mercer Water District (effective Jan. 1, 2020).

²⁴ Harrodsburg's Response to Staff's First Request (filed Dec. 12, 2022), Item 1 at 3.

²⁵ Harrodsburg's Response to Staff's First Request, Item 1 at 3.

Commission calculated a temporary monthly rate case expense surcharge \$196.96 per wholesale customer.²⁶

IT IS THEREFORE ORDERED that:

1. The wholesale rate proposed by Harrodsburg is granted.
2. Harrodsburg shall recover \$14,181 for rate case expenses related to legal fees through a monthly rate case expense surcharge over a period of 36-months of \$196.96 per wholesale customer per month.
3. The rates set forth in the Appendix to this Order are fair, just and reasonable and should be approved for the provision of wholesale water service to Lake Village Water and North Mercer District for services rendered on and after service of this Order.
4. This case is closed and removed from the Commission's docket.

²⁶ \$14,181 (Actual Legal Fees) ÷ 36-Months = \$393.92 ÷ 2 (Wholesale Customers) = \$196.96.

PUBLIC SERVICE COMMISSION


Chairman

MRR signing w/ permission

Vice Chairman


Commissioner



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00349 DATED MAY 16 2023

The following rates and charges are prescribed for the customers in the area served by the city of Harrodsburg Water Department. 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

First	250 Cubic Feet	\$13.12	Minimum Bill
Next	750 Cubic Feet	0.0498	Per Cubic Foot
Next	3,000 Cubic Feet	0.0432	Per Cubic Foot
Next	6,000 Cubic Feet	0.0367	Per Cubic Foot
Next	25,000 Cubic Feet	0.0313	Per Cubic Foot
Next	25,000 Cubic Feet	0.0261	Per Cubic Foot
Over	60,000 Cubic Feet	0.0209	Per Cubic Foot
Rate Case Expense Surcharge		\$196.96	Per Month

*City of Harrodsburg Water Dept.
208 South Main Street
Harrodsburg, KY 40330

*Amy Kays-Huffman
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*Rebecca C. Price
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*M. Todd Osterloh
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333 West Vine Street
Suite 1400
Lexington, KENTUCKY 40507

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF)	CASE NO.
HARRODSBURG WATER DEPT. REVISING ITS)	2023-00206
WHOLESALE WATER SERVICE RATES)	

ORDER

On June 2, 2023, pursuant to 807 KAR 5:011, the city of Harrodsburg Water Department (Harrodsburg) tendered a tariff proposing to increase its existing rate for wholesale water services to Lake Village Water Association (Lake Village Water) and North Mercer Water District (North Mercer District) effective July 3, 2023. By Order dated June 29, 2023, pursuant to KRS 278.190(2), the Commission determined that further proceedings were necessary and suspended the rates for five months, up to and including December 2, 2023, and required Harrodsburg to file evidence that it had met a certain condition precedent in the wholesale contracts before the Commission would consider allowing the rates to be placed into effect.¹ Harrodsburg responded to the Commission's Order on June 30, 2023, and filed a motion on July 10, 2023, requesting that the Commission approve its proposed rates. This matter now stands submitted to the Commission for a decision.

LEGAL STANDARD

Pursuant to KRS 278.200, the Commission has jurisdiction over rates and service standards that are fixed by contract between a utility subject to the Commission's

¹ Order (Ky. PSC June 29, 2023) at 6.

jurisdiction and a city, such as Harrodsburg. Under the standard established in KRS 278.030 and KRS 278.190, Harrodsburg has the burden of proof that its proposed rates are fair, just, and reasonable.

KRS 278.180 requires a utility to provide 30 days' notice to the Commission before any changes to the utility's rates.

BACKGROUND

Harrodsburg, through its water and sewer divisions, operates facilities providing water service to 4,902 customers and sanitary sewer service to 4,399 customers located in and near Harrodsburg, Kentucky.² Harrodsburg also provides wholesale water service to North Mercer District and Lake Village Water.

Lake Village Water, a water association organized pursuant to KRS Chapter 273, and North Mercer District, a water district organized pursuant to KRS Chapter 74, are both utilities subject to the Commission's jurisdiction.

PROPOSED TARIFF

Harrodsburg's tariff proposes to increase the wholesale water rates to Lake Village Water and North Mercer District by 6.5 percent. As a basis for the rate increase, Harrodsburg stated that its contracts with Lake Village Water and North Mercer District require increases to the wholesale rate when Harrodsburg raises its retail rates, and that Harrodsburg anticipated a commensurate 6.5 percent increase to its retail customers to

² Case No. 2022-00349, *Electronic Tariff Filing of the City of Harrodsburg Water Dept. Revising its Wholesale Water Service Rates*, Harrodsburg's Response to Commission Staff's Third Request for Information (filed Feb. 9, 2023), Item 1.

be effective July 3, 2023.³ Harrodsburg also asserted that the proposed increase in its wholesale rates are justified by the costs and expenses it incurs to provide service.⁴

When Harrodsburg filed its tariff on June 2, 2023, Harrodsburg indicated that the ordinance to increase its retail rates was scheduled to receive its first reading on June 12, 2023, with the second reading scheduled for June 26, 2023, such that the retail rates were not approved or in effect at that time it filed its wholesale rates.

By Order entered June 29, 2023 Order, the Commission explained that, because the increase in Harrodsburg's retail rates is a contractual condition precedent to the increase in Harrodsburg's wholesale rates, Harrodsburg's proposed wholesale rates could not become effective until it complied with that condition. Further, the Commission stated that, pursuant to KRS 278.180, the earliest Harrodsburg's wholesale rate could be placed in effect would be 30 days from the date the retail rates are placed in effect. Also in the June 29, 2023 Order, the Commission suspended Harrodsburg's tariff and ordered it to file evidence that it raised its retail rates within three dates of doing so.⁵

Harrodsburg responded to the Commission's Order on June 30, 2023, by filing the ordinance raising retail rates.⁶ Harrodsburg then filed a motion on July 10, 2023, requesting an Order approving its proposed wholesale rates and closing this proceeding.⁷

³ June 2, 2023 letter from M. Todd Osterloh to Linda Bridwell.

⁴ June 2, 2023 letter from M. Todd Osterloh to Linda Bridwell.

⁵ Order (Ky. PSC June 29, 2023) 4-6.

⁶ Notice of Filing (filed June 30, 2023).

⁷ Harrodsburg_Motion_for_Approval_(01917715).pdf (uploaded July 10, 2023).

DISCUSSION

The table below is a comparison of Harrodsburg's current and proposed volumetric wholesale rates for Lake Village Water and North Mercer District.

			<u>Current Rate</u>	<u>Proposed Rate</u>	<u>\$ Change</u>	<u>% Change</u>
First	250	cubic feet (Min. Bill)	\$13.12	\$13.97	\$0.85	6.5% Increase
Next	750	cubic feet (per 100 cu. ft.)	4.98	5.30	0.32	6.5% Increase
Next	3,000	cubic feet (per 100 cu. ft.)	4.32	4.60	0.28	6.5% Increase
Next	6,000	cubic feet (per 100 cu. ft.)	3.67	3.91	0.24	6.5% Increase
Next	25,000	cubic feet (per 100 cu. ft.)	3.13	3.33	0.20	6.5% Increase
Next	25,000	cubic feet (per 100 cu. ft.)	2.61	2.78	0.17	6.5% Increase
Over	60,000	cubic feet (per 100 cu. ft.)	2.09	2.23	0.14	6.5% Increase

Harrodsburg's proposed rate increase is not based upon the actual cost of producing water or a cost of service study as the Commission generally requires. Rather, as discussed above, Harrodsburg proposed to increase wholesale rates commensurate with a retail water rate increase pursuant to its contracts with Lake Village Water and North Mercer District. Nevertheless, Harrodsburg contends that the proposed 6.5 percent wholesale rate increase is reasonable, because its own calculations show that Harrodsburg could justify an increase of 37.09 percent.⁸

In reviewing the case record, the Commission concludes that Harrodsburg correctly limited its wholesale water rate increase to the level of the retail water rate increase, and that the proposed increase is in accordance with its wholesale water service contracts with Lake Village Water and North Mercer District. Harrodsburg also presented wholesale rate calculations that indicated it could justify an increase in the wholesale

⁸ June 2, 2023 letter from M. Todd Osterloh to Linda Bridwell.

water rate substantially in excess of the requested 6.5 percent increase. Because Harrodsburg's requested increase is limited to the level of its retail water increase, is in compliance with the wholesale service contracts, and an analysis and evidence supporting the increase was provided, the Commission finds that Harrodsburg's proposed wholesale rate increase is fair, just and reasonable and should be approved for service as of the date of this Order.

IT IS THEREFORE ORDERED that:

1. The wholesale rates proposed by Harrodsburg for service to Lake Village Water and North Mercer District, as set forth in the Appendix to this Order, are approved for service rendered on and after the date of this Order.

2. Within 20 days of the date of service of this Order, Harrodsburg shall file, using the Commission's electronic Tariff Filing System, its tariff setting forth the rates approved in this Order, reflecting their effective date and that they were authorized by this Order.

3. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00206 DATED AUG 02 2023

The following volumetric monthly rates and charges are prescribed for North Mercer Water District and Lake Village Water Association for service provided by the city of Harrodsburg Water Department. 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.

Volumetric Monthly Rates to North Mercer Water District
and Lake Village Water Association:

First	250 Cubic Feet	\$13.97	Minimum Bill
Next	750 Cubic Feet	0.0530	Per Cubic Foot
Next	3,000 Cubic Feet	0.0460	Per Cubic Foot
Next	6,000 Cubic Feet	0.0391	Per Cubic Foot
Next	25,000 Cubic Feet	0.0333	Per Cubic Foot
Next	25,000 Cubic Feet	0.0278	Per Cubic Foot
Over	60,000 Cubic Feet	0.0223	Per Cubic Foot

*City of Harrodsburg Water Dept.
208 South Main Street
Harrodsburg, KY 40330

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333 West Vine Street
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*Rebecca C. Price
Sturgill, Turner, Barker & Moloney
155 East Main Street
Lexington, KENTUCKY 40507

*M. Todd Osterloh
Sturgill, Turner, Barker & Moloney, PLLC
333 West Vine Street
Suite 1400
Lexington, KENTUCKY 40507

Exhibit B

	New Rate	Base Rate
City of Harrodsburg		
Purchase in gallons	272,541,512	272,541,512
Total Cost	898,151	767,650
Totals	\$ 898,151	\$ 767,650

Increased Water Cost \$ 130,501

South Anderson Water District

Purchase in gallons	32,783,200	32,783,200
Volumetric Rate	no change	no change

Increased Water Cost \$ 130,501
 Divided by gals. sold/1,000 256,504.0
 Purchased Water Adj. Factor \$ 0.509

or \$.51 per 1,000 Gallons

Exhibit C

Current Rates			Proposed Rates				
<u>Minimum Bills Based on Meter Size</u>			<u>Minimum Bills Based on Meter Size</u>				
Meter Size	Gals. Incl'd. in Minimum	Minimum Monthly Bill	Meter Size	Gals. Incl'd. in Minimum	Minimum Monthly Bill	Dollar Increase	Percent Increase
5/8x3/4 inch	1,000	\$ 20.00	5/8x3/4 inch	1,000	\$ 20.51	\$ 0.51	2.55
1 inch	2,500	\$ 35.50	1 inch	2,500	\$ 36.77	\$ 1.27	3.58
2 Inch	10,000	\$ 105.00	2 Inch	10,000	110.10	\$ 5.10	4.86
Bulk	Per 1,000	\$ 0.00625	Bulk	Per 1,000	0.00676	\$ 0.00051	8.16
 <u>Rates for Water Usage in Addition to Minimum</u>			 <u>Rates for Water Usage in Addition to Minimum</u>				
No. of Gallons per Month		Charge per 1,000 gals.	No. of Gallons per Month		Charge per 1,000 gals.		
First 1,000 Gallons		\$ 20.00	First 1,000 Gallons (lump sum)		\$ 20.51	\$ 0.51	2.55
Next 2,500 Gallons		\$ 35.50	Next 2,500 Gallons		\$ 36.77	\$ 1.27	3.58
Overt 10,000 Gallons		\$ 105.00	Next 10,000 Gallons		\$ 110.10	\$ 5.10	4.86

Exhibit D

NORTH MERCER WATER DISTRICT

MINUTES

MAY 17, 2023

Andrew Dennis, Chairman
Paul Campbell, Treasurer
Gerald Sheperson, Vice-Chairman
Lee Todd Pinkston, Commissioner
Chad Robinson, Auditor

Tony Best, Secretary
Mischell Lee, Manager
Norrie Currens, Attorney
Riley Sumner, BG engineering
Sam Reid, KRWA, Rate Case

The meeting was called to order by Chairman, Andrew Dennis.

The Board reviewed the minutes from the April meeting. Tony made a motion to approve the minutes. Gerald seconded the motion and the motion passed.

The Board reviewed the financial statements for the district for the month of April. Paul made a motion to approve payment of expenses for April totaling \$247,454.10. Todd seconded the motion and the motion passed.

Water loss for April was 19%. We had a leak in our glass lined tank on New Dixville Road and several other leaks were located and repaired.

Chad Robinson, auditor with Kerbaugh, Rodes & Butler, PLLC, reviewed the 2022 audit for North Mercer Water and answered questions. Chad reported the District had a clean audit, meaning there were no issues noted. The District was required to also have a single audit completed due to our project and Federal Funds of more than \$750,000.00. Our cash flows position increased \$732,035 for the year; much of this was contributed to the rate increase that went into effect late 2021.

Gerald made a motion to accept the 2022 audit as presented. Paul seconded the motion and the motion passed.

Sam Reid with KY Rural Water is helping the District file our Alternative Rate Filing (ARF) which the PSC required when it approved our last rate increase in 2021. Sam reported that the data received requires an additional 16.25% increase. The numbers Sam used included adding additional office personnel. The ARF procedure usually takes about 6 months to complete.

Paul made a motion to pass a resolution raising North Mercer Water rates 16.25%. Gerald seconded the motion and the motion passed.

Paul made a motion to file a pass thru application with the PSC to cover the wholesale rate increase of 10% passed on May 26 for the City of Harrodsburg. Gerald seconded the motion and the motion passed.

Todd made a motion to pass a resolution raising North Mercer Water District rates to collect the 10% wholesale increase on all water purchased after May 26, 2023 from the City of Harrodsburg. Paul seconded the motion and the motion passed.

The PSC also approved the City of Harrodsburg application to recover the legal costs associated with their wholesale rate increase. North Mercer Water and Lake Village Water Association will be required to pay \$196.96 per month for the next three years.

Riley reported that all clean up has been completed on all contracts. All asphalt work on contract 2C has also been completed. The release of KDOT Encroachment permit for contracts 2A, B and C has been requested along with release of lien.

Riley also sent a certified letter written with attorney Norrie Currens regarding invoices for work that Rail Pros has billed the District for but was never done. Riley reports that Rail Pros only had personnel on site on 2 occasions. The District has been billed for 4 different dates. The District decided to abandon the Railroad crossing after a difficult and costly experience, and Rail Pros continues to bill us.

Paul made a motion to pass a Resolution accepting the Joinder Agreement with KY Public Employers Deferred Compensation Authority and North Mercer Water District, and to authorize Andrew Dennis to execute the agreement on behalf of North Mercer Water. Gerald seconded the motion and the resolution passed.

Judge Executive Sarah Steele sent out an email notifying all water utilities in Mercer County that an ordinance had been passed requiring all to collect \$1.00 per meter to fund the counties 911 system. Later another email changed the directive to charge \$1.75 per meter and allowed each utility to keep 3% for an administrative fee. North Mercer Water currently collects 911 fees for Washington and Anderson Counties. We charge a 10% administrative fee.

The Commissioners will attend the next Fiscal Court meeting (June 6 at 10:00 am) to voice our concerns in meeting the Judges directive to collect the fee by July 1, 2023 and turn over money to Bluegrass 911, the administrative fee allowed and that as a District under PSC authority, we cannot enforce the payment of said fee.

Paul made a motion to move into executive session. Gerald seconded the motion and the motion passed.

Paul made a motion to move back into regular session. Todd seconded the motion and the motion passed.

Todd made a motion to adjourn the meeting. Paul seconded the motion and the motion passed.

Tony Best, Secretary
North Mercer Water District

Andrew Dennis, Chairman
North Mercer Water District

Executive Session
May 17, 2023

The Board entered into executive session by Motion from Paul Campbell, followed by a second from Gerald Shepersen.

The executive session began with a discussion on Tammy's new title and job responsibilities. Mischell will put together a job description for Tammy's new role as Operations Specialist; her pay will increase 5% beginning June 1, 2023.

Mischell will task Kie with putting together some detail on purchasing more water from South Anderson Water District and purchasing as a regular wholesale customer from the City of Danville. After the City of Harrodsburg's wholesale rate increase, they are now the most expensive water we purchase.

The Board discussed issues with our current Board attorney also representing the City of Harrodsburg. The District has called in Damon Talley for his expert opinion on the issue and if he believed a conflict of interest existed. We were advised that several conflicts exist and that our attorney could not represent both entities. The Board will move forward with a discussion with our attorney as to how to best move forward.

Paul made a motion to move out of executive session. Gerald seconded the motion and the motion passed.

Todd made a motion to adjourn the meeting. Paul seconded the motion and the motion passed.

Andrew Dennis, Chairman

Tony Best, Secretary