

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF UNION	)	CASE NO.
COUNTY WATER DISTRICT FOR AN	)	2022-00160
ALTERNATIVE RATE ADJUSTMENT	)	

ORDER

This matter arises upon Union County Water District's (Union District) acceptance of Commission Staff's recommendation regarding the amount of a rate increase and a water loss reduction surcharge of \$1.72 per month. Union District did not expressly request the water loss reduction surcharge and thus its customers have not received notice of the new rate recommended by Commission Staff.

When Commission Staff performed the limited financial review of test-year operations, Commission Staff noted that Union District included a water loss reduction surcharge in its workpapers and that the utility did not expressly request the surcharge.

As discussed in the Commission Staff Report issued on January 20, 2023, and accepted by Union District on February 2, 2023, in establishing water-loss surcharges, the Commission recognizes that the adjustments required to be made to comply with the 15 percent unaccounted-for water loss limitation in 807 KAR 5:066, Section 6(3), could severely restrict cash flow and could impair a water district's ability to take the necessary action to focus on its leak detection and repair. Using a surcharge to fund a water district's water loss reduction program allows the Commission to place strict controls governing

the surcharge proceeds to ensure their effective use, public acceptance of the surcharge, and public confidence in the water district's use of those funds.

Recognizing prior Commission precedent to allow the use of surcharges to assist utilities in obtaining the proper funding needed to combat water loss discussed above, Commission Staff recommended that the Commission authorize Union District to assess a monthly water loss reduction surcharge of \$1.72 per active meter for 48 months, with a review of the necessity to continue the surcharge before the 48-month period expires. Commission Staff also recommended that the Commission establish a separate proceeding to monitor the surcharge and place strict controls over the use of the funds that will be collected from the surcharge and require Union District to develop a long-term plan to address its aging infrastructure and combat water loss within six months of the final order in this proceeding.

#### LEGAL STANDARD

Commission regulation 807 KAR 5:076, Section 11(3)(f) provides that if the Commission Staff recommends the assessment of an additional rate or charge not proposed in the application and the additional rate and Commission Staff's proposed rates produce a total increase in revenues that exceeds 110 percent of the total increase in revenues that the applicant's proposed rates will produce, and the applicant amends its application to request Commission Staff's proposed rates, the Commission shall order the applicant to provide notice of the finding or recommendation to its customers.

#### DISCUSSION AND FINDINGS

In this proceeding, Union District provided customer notice of a proposed 15.27 percent rate increase and, in the Commission Staff Report, Commission Staff

recommended a 16.65 percent rate increase for retail customers, which includes the recommended water loss reduction surcharge. Although Commission Staff's recommendation does not exceed the regulatory amount that requires renote, due process requires that Union District's ratepayers receive notice of all proposed rates, including the water loss reduction surcharge.

For that reason, the Commission finds that Union District should provide notice of the proposed rate increase to its customers, including the water loss reduction surcharge. Within ten days of the date of service of this Order, Union District shall notify its customers of the proposed rates calculated in the Commission Staff's Report by publishing notice of the increase in a newspaper of general circulation in its territory, placing an insert in bills rendered to its customers, or mailing a written notice to each customer. The customer notice shall contain the information set forth in the Appendix to this Order.

IT IS THEREFORE ORDERED that:

1. Within ten days of the date of service of this Order, Union District shall notify its customers of the proposed rates calculated in the Commission Staff's Report by publishing notice of the increase in a newspaper of general circulation in its territory, placing an insert in bills rendered to its customers, or mailing a written notice to each customer. The customer notice shall contain the information set forth in the Appendix to this Order.

2. Union District shall provide proof of publication of the notice to the Commission no later than 20 days from the date of service of this Order.


PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_

Chairman

  
\_\_\_\_\_

Vice Chairman

  
\_\_\_\_\_

Commissioner



ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00160 DATED APR 26 2023

NOTICE

On January 20, 2023, Commission Staff issued its written report containing its recommendations regarding Union District's proposed rate adjustment. The Commission Staff's Report can be found at [https://psc.ky.gov/pscscf/2022%20Cases/2022-00160//20230120\\_STAFF\\_REPORT.pdf](https://psc.ky.gov/pscscf/2022%20Cases/2022-00160//20230120_STAFF_REPORT.pdf). In its report, Commission Staff recommend the following rates:

			Existing Rates	Commission Staff's Recommended Rates	\$ Change	% Change
<u>5/8-Inch Meter:</u>						
First	2,000	Gallons	\$ 13.79 Min. Bill	\$ 15.18 Min. Bill	\$ 1.390000	10.08%
Next	3,000	Gallons	0.00689 per Gallon	0.00763 per Gallon	\$ 0.000740	10.74%
Next	5,000	Gallons	0.00649 per Gallon	0.00719 per Gallon	\$ 0.000700	10.75%
Next	15,000	Gallons	0.00614 per Gallon	0.00680 per Gallon	\$ 0.000660	10.75%
Next	25,000	Gallons	0.00584 per Gallon	0.00647 per Gallon	\$ 0.000630	10.79%
Next	50,000	Gallons	0.00544 per Gallon	0.00603 per Gallon	\$ 0.000590	10.85%
Next	100,000	Gallons	0.00504 per Gallon	0.00558 per Gallon	\$ 0.000540	10.71%
Next	100,000	Gallons	0.00464 per Gallon	0.00514 per Gallon	\$ 0.000500	10.78%
Over	300,000	Gallons	0.00424 per Gallon	0.00470 per Gallon	\$ 0.000460	10.85%
<u>3/4-Inch Meter</u>						
First	5,000	Gallons	\$ 34.45 Min. Bill	\$ 38.06 Min. Bill	\$ 3.610000	10.48%
Next	5,000	Gallons	0.00649 per Gallon	0.00719 per Gallon	\$ 0.000700	10.79%
Next	15,000	Gallons	0.00614 per Gallon	0.00680 per Gallon	\$ 0.000660	10.75%
Next	25,000	Gallons	0.00584 per Gallon	0.00647 per Gallon	\$ 0.000630	10.79%
Next	50,000	Gallons	0.00544 per Gallon	0.00603 per Gallon	\$ 0.000590	10.85%
Next	100,000	Gallons	0.00504 per Gallon	0.00558 per Gallon	\$ 0.000540	10.71%
Next	100,000	Gallons	0.00464 per Gallon	0.00514 per Gallon	\$ 0.000500	10.78%
Over	300,000	Gallons	0.00424 per Gallon	0.00470 per Gallon	\$ 0.000460	10.85%
<u>1-Inch Meter</u>						
First	10,000	Gallons	\$ 66.90 Min. Bill	\$ 74.01 Min. Bill	\$ 7.110000	10.63%
Next	15,000	Gallons	0.00614 per Gallon	0.00680 per Gallon	\$ 0.000660	10.75%
Next	25,000	Gallons	0.00584 per Gallon	0.00647 per Gallon	\$ 0.000630	10.79%
Next	50,000	Gallons	0.00544 per Gallon	0.00603 per Gallon	\$ 0.000590	10.85%
Next	100,000	Gallons	0.00504 per Gallon	0.00558 per Gallon	\$ 0.000540	10.71%
Next	100,000	Gallons	0.00464 per Gallon	0.00514 per Gallon	\$ 0.000500	10.78%
Over	300,000	Gallons	0.00424 per Gallon	0.00470 per Gallon	\$ 0.000460	10.85%
<u>1 1/2-Inch Meter</u>						
First	25,000	Gallons	\$ 159.00 Min. Bill	\$ 176.04 Min. Bill	\$ 17.040000	10.72%
Next	25,000	Gallons	0.00584 per Gallon	0.00680 per Gallon	\$ 0.000960	16.44%
Next	50,000	Gallons	0.00544 per Gallon	0.00647 per Gallon	\$ 0.001030	18.93%
Next	100,000	Gallons	0.00504 per Gallon	0.00603 per Gallon	\$ 0.000990	19.64%
Next	100,000	Gallons	0.00464 per Gallon	0.00514 per Gallon	\$ 0.000500	10.78%
Over	300,000	Gallons	0.00424 per Gallon	0.00470 per Gallon	\$ 0.000460	10.85%

			Existing Rates		Commision Staff's Recommended Rates		\$ Change	% Change
<u>2-Inch Meter</u>								
First	50,000	Gallons	\$ 305.00	Min. Bill	\$ 337.78	Min. Bill	\$ 32.780000	10.75%
Next	50,000	Gallons	0.00544	per Gallon	0.00647	per Gallon	\$ 0.001030	18.93%
Next	100,000	Gallons	0.00504	per Gallon	0.00603	per Gallon	\$ 0.000990	19.64%
Next	100,000	Gallons	0.00464	per Gallon	0.00514	per Gallon	\$ 0.000500	10.78%
Over	300,000	Gallons	0.00424	per Gallon	0.00470	per Gallon	\$ 0.000460	10.85%
<u>2 1/2-Inch Meter</u>								
First	75,000	Gallons	\$ 440.99	Min. Bill	\$ 488.43	Min. Bill	\$ 47.440000	10.76%
Next	25,000	Gallons	0.00544	per Gallon	0.00647	per Gallon	\$ 0.001030	18.93%
Next	100,000	Gallons	0.00504	per Gallon	0.00603	per Gallon	\$ 0.000990	19.64%
Next	100,000	Gallons	0.00464	per Gallon	0.00514	per Gallon	\$ 0.000500	10.78%
Over	300,000	Gallons	0.00424	per Gallon	0.00470	per Gallon	\$ 0.000460	10.85%
<u>3-Inch Meter</u>								
First	100,000	Gallons	\$ 576.99	Min. Bill	\$ 639.09	Min. Bill	\$ 62.100000	10.76%
Next	100,000	Gallons	0.00504	per Gallon	0.00603	per Gallon	\$ 0.000990	19.64%
Next	100,000	Gallons	0.00464	per Gallon	0.00514	per Gallon	\$ 0.000500	10.78%
Over	300,000	Gallons	0.00424	per Gallon	0.00470	per Gallon	\$ 0.000460	10.85%
<u>4-Inch Meter</u>								
First	200,000	Gallons	\$ 1,080.99	Min. Bill	\$ 1,197.41	Min. Bill	\$ 116.420000	10.77%
Next	100,000	Gallons	0.00464	per Gallon	0.00514	per Gallon	\$ 0.000500	10.78%
Over	300,000	Gallons	0.00424	per Gallon	0.00470	per Gallon	\$ 0.000460	10.85%
<u>6-Inch Meter</u>								
First	300,000	Gallons	\$ 1,544.97	Min. Bill	\$ 1,711.42	Min. Bill	\$ 166.450000	10.77%
Over	300,000	Gallons	0.00424	per Gallon	0.00470	per Gallon	\$ 0.000460	10.85%
Water Loss Reduction Surcharge					\$ 1.72	per Gallon	N/A	N/A

For a residential customer with an average monthly usage of 4,000 gallons of water, the monthly water bill, including the Water Loss Reduction Surcharge, would increase from \$27.57 to \$32.16. This is an increase of \$4.59 or 16.65%.

Comments regarding the Public Service Commission Staff's recommended rates may be submitted to the Public Service Commission through the Commission's Web Site at <http://psc.ky.gov>, by mail to the Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602 or by e-mail to [psc.info@ky.gov](mailto:psc.info@ky.gov). Union District's application is docketed as Case No. 2022-00160. Comments should be submitted no later than 21 days from the publication date of this notice.

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