

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF WEST SHELBY)	2023-00193
WATER DISTRICT)	

ORDER

On June 5, 2023, West Shelby Water District (West Shelby 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 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.

If rates are increased pursuant to KRS 278.015, a water district is required to give notice to its customers of the increase prior to or at the time of the first billing of the new rates.¹ The regulations implementing KRS 278.015 establish the form and manner in which such notice should be provided.² While notice does not need to be filed with an

¹ KRS 278.015.

² 807 KAR 5:068, Section 5(1).

application for a purchased water adjustment, a water district is required to file proof of notice pursuant to 807 KAR 5:068, Section 5(3) within 30 days.

DISCUSSION AND FINDINGS

West Shelby District purchases water from Louisville Water Company (Louisville Water) and Shelbyville Municipal Water System (Shelbyville). Louisville Water notified West Shelby District that effective July 1, 2023, its wholesale rate would increase from \$2.55 per 1,000 gallons to \$2.63 per 1,000 gallons, and its monthly service charges would increase.³ Louisville Water specifically stated that the monthly charges would increase from \$87.64 to \$87.92 for a 3-inch meter; from \$150.24 to \$150.72 for a 4-inch meter; and from \$350.56 to \$351.68 for a 6-inch meter. Shelbyville notified West Shelby District that its wholesale rate would increase from \$2.44 per 1,000 gallons to \$2.50 per 1,000 gallons, effective July 19, 2023.⁴ West Shelby District proposes to increase the water rates to its customers effective July 19, 2023, to reflect the increased cost of purchased water from Louisville Water and Shelbyville.

Unaccounted-for Water

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, West Shelby District

³ TFS 2023-00170 (Ky. PSC June 19, 2023); Louisville Water submitted the tariff on March 30, 2023, and the tariff was accepted for filing by the Commission by letter dated June 19, 2023, with an effective date of July 1, 2023.

⁴ TFS 2023-00221 (Ky. PSC June 26, 2023); Shelbyville submitted the tariff on April 26, 2023, and the tariff was accepted for filing by the Commission by letter dated June 26, 2023, with an effective date of July 19, 2023.

reported a water loss of 11.2106 percent.⁵ West Shelby District’s application provides updated purchase and sales information for the period of May 2022 through April 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, West Shelby District’s unaccounted-for water loss is 8.4303 percent for the updated period.⁶ The cost of West Shelby District’s total water loss is \$66,062.21.⁷ West Shelby District’s water loss is within 15 percent of its total water purchased and meets the standard in 807 KAR 5:066, Section 6(3). The Commission recommends that West Shelby District continue its efforts to reduce unaccounted-for water loss and the utility remain informed about the cost of its unaccounted-for water loss.

Financial Condition and Rates

In Case No. 2019-00041, the Commission discussed the problems that can occur when utilities intentionally avoid a review of their financial records by relying solely on financing cases to increase rates.⁸ A key recommendation from that proceeding was that water districts should monitor the sufficiency of their base rates closely and, in general, apply for base rate adjustments on a more frequent basis.⁹

⁵ *Annual Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2022* at 57-58.

⁶ Total Purchases (application PWA Form 1 at 2)	298,630,400
Less Total Sales (application PWA Form 1 at 2)	272,623,340
Less Plant Use (% determined from 2022 Annual Report)	831,686
Water Loss – Gallons	25,175,374
Water Loss – Percent	8.4303%

⁷ Total water cost at new wholesale rate of \$783,628.22 times 8.4303% water loss equals \$66,062.21.

⁸ See Case No. 2019-00041, *Investigation Into Excessive Water Loss by Kentucky’s Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

⁹ See Case No. 2019-00041, Nov. 22, 2019 final Order.

Based upon a review of the annual and audit reports filed with the Commission, West Shelby District's most recent rate case concluded on February 24, 2022,¹⁰ with an approval from the Commission for a rate increase of 10.09 percent or \$162,049 increase in customer rates.¹¹

Purchased Water Adjustment Factor

In its application, West Shelby District proposed a purchased water adjustment factor of \$0.08 per 1,000 gallons. During the 12 months ended April 30, 2023, West Shelby District purchased 230,526,000 gallons of water from Louisville Water and 68,104,400 gallons of water from Shelbyville and sold 272,623,340 gallons of water to its customers. The increase in the cost of purchased water from Louisville Water and Shelbyville is \$22,550.90, resulting in a purchased water adjustment factor of \$0.08 per 1,000 gallons.

The purchased water adjustment factor of \$0.08 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved for water service rendered by West Shelby District on and after July 19, 2023. The purchased water adjustment factor is supported by evidence of the increase in rates from West Shelby District's wholesale water suppliers and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

However, in its application, West Shelby District provided a customer notice¹² showing columns with existing rates and proposed rates for each meter size and tier level.

¹⁰ Case No. 2021-00241, *Electronic Application of West Shelby Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Feb. 24, 2022).

¹¹ Case No. 2021-00241, Feb 24, 2022 final Order.

¹² Application, Exhibit_F_pre-approval_customer_notice_2023.xlsx.

The notice contained some errors in the existing rate column which flowed over into the proposed rate column. For the 3/4-inch meter customers, the existing rate for the “First 3,500 gallons” is listed as \$26.70, but the correct rate is \$26.69. For the 1-inch meter customers, the existing rate for usage “Over 230,000 gallons” is listed as \$4.90, but the correct rate is \$4.93 per 1,000 gallons. For the 1 1/2-inch meter customers, the existing rate for the “Next 20,000 gallons,” i.e., usage between 10,000 and 30,000 gallons, is listed as \$4.83, but the correct rate is \$5.83 per 1,000 gallons. The Commission also notes that the rates for the “next . . . gallons” and “over . . . gallons” in the notice do not make clear that they are the rates “per 1,000 gallons.”

While West Shelby District calculated its purchased water adjustment correctly, it applied the purchase water adjustment to the incorrect rates in the instances discussed above, and therefore, the Commission finds that the rates proposed by West Shelby District should be denied. More specifically, the Commission finds that the rates set forth in Appendix B, which were calculated by applying the purchased water adjustment to the correct rates, are fair, just and reasonable and should be approved for water service rendered by West Shelby District on and after July 19, 2023. The Commission also reminds West Shelby District that it must provide notice showing the correct rates pursuant to KRS 278.015 and 807 KAR 5:068, Section 5, including that the rates for the “next . . . gallons” and “over . . . gallons” are volumetric.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.08 per 1,000 gallons is approved.
2. The rates proposed by West Shelby District are denied.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by West Shelby District on and after July 19, 2023.

4. West Shelby District shall provide proper notice pursuant to KRS 278.015 and 807 KAR 5:068, Section 5, and file proof of notice pursuant to 807 KAR 5:068, Section 5(3).

5. Within 20 days of the date of service of this Order, West Shelby District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

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

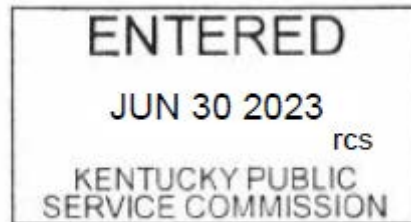
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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00193 DATED JUN 30 2023

	Base Rate	New Rate	Change
<u>Louisville Water</u>			
Purchases in Gallons	230,526,000	230,526,000	
Rate per 1,000 Gallons	<u>\$ 2.55/1,000</u>	<u>\$ 2.63/1,000</u>	
Sub-total	\$587,841.30	\$606,283.38	\$ 18,442.08
<u>Months</u>	12	12	
3-inch meter monthly charge	<u>\$ 87.64</u>	<u>\$ 87.92</u>	
Sub-total	\$ 1,051.68	\$ 1,055.04	\$ 3.36
<u>Months</u>	12	12	
4-inch meter monthly charge	<u>\$ 150.24</u>	<u>\$ 150.72</u>	
Sub-total	\$ 1,802.88	\$ 1,808.64	\$ 5.76
<u>Months</u>	12	12	
6-inch meter monthly charge	<u>\$ 350.56</u>	<u>\$ 351.68</u>	
Sub-total	\$ 4,206.72	\$ 4,220.16	\$ 13.44
<u>Shelbyville</u>			
Purchases in Gallons	68,104,400	68,104,400	
Rate per 1,000 Gallons	<u>\$2.44/1,000</u>	<u>\$2.50/1,000</u>	
Sub-total	\$ 166,174.74	\$170,261.00	\$ 4,086.26
Total	\$761,077.32	\$783,628.22	\$ 22,550.90
Increased water cost		\$ 22,550.90	
Increased water cost		\$ 22,550.90	
Divided by Gallons sold/1000		<u>272,623,340</u>	
Purchased water adjustment factor		\$ 0.0827 per 1,000 Gallons	
		or \$ 0.00008 per gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00193 DATED JUN 30 2023

The following rates and charges are prescribed for the customers in the area served by West Shelby Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8 X 3/4-Inch Meter

First	2,500 Gallons	\$20.72	Minimum Bill
Next	7,500 Gallons	0.00626	Per Gallon
Next	20,000 Gallons	0.00591	Per Gallon
Next	200,000 Gallons	0.00546	Per Gallon
Over	230,000 Gallons	0.00501	Per Gallon

3/4-Inch Meter

First	3,500 Gallons	\$26.97	Minimum Bill
Next	6,500 Gallons	0.00626	Per Gallon
Next	20,000 Gallons	0.00591	Per Gallon
Next	200,000 Gallons	0.00546	Per Gallon
Over	230,000 Gallons	0.00501	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$36.33	Minimum Bill
Next	5,000 Gallons	0.00626	Per Gallon
Next	20,000 Gallons	0.00591	Per Gallon
Next	200,000 Gallons	0.00546	Per Gallon
Over	230,000 Gallons	0.00501	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$67.62	Minimum Bill
Next	20,000 Gallons	0.00591	Per Gallon
Next	200,000 Gallons	0.00546	Per Gallon
Over	230,000 Gallons	0.00501	Per Gallon

2-Inch Meter

First	16,000 Gallons	\$103.05	Minimum Bill
Next	14,000 Gallons	0.00591	Per Gallon

	Next	200,000 Gallons	0.00546	Per Gallon
	Over	230,000 Gallons	0.00501	Per Gallon
3-Inch Meter				
	First	30,000 Gallons	\$185.74	Minimum Bill
	Next	200,000 Gallons	0.00546	Per Gallon
	Over	230,000 Gallons	0.00501	Per Gallon
4-Inch Meter				
	First	50,000 Gallons	\$294.83	Minimum Bill
	Next	180,000 Gallons	0.00546	Per Gallon
	Over	230,000 Gallons	0.00501	Per Gallon
6-Inch Meter				
	First	100,000 Gallons	\$567.55	Minimum Bill
	Next	130,000 Gallons	0.00546	Per Gallon
	Over	230,000 Gallons	0.00501	Per Gallon

*West Shelby Water District
137 Citizens Blvd.
P. O. Box 39
Simpsonville, KY 40067

*Lisa M Didier
West Shelby Water District
137 Citizens Blvd.
P. O. Box 39
Simpsonville, KY 40067

*Melvin Phenix
West Shelby Water District
137 Citizens Blvd.
P. O. Box 39
Simpsonville, KY 40067