

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                 |   |            |
|---------------------------------|---|------------|
| ELECTRONIC PURCHASED WATER      | ) | CASE NO.   |
| ADJUSTMENT FILING OF EAST CASEY | ) | 2023-00266 |
| COUNTY WATER DISTRICT           | ) |            |

ORDER

On August 17, 2023, East Casey County Water District (East Casey 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.

DISCUSSION AND FINDINGS

East Casey District purchases water from the city of Campbellsville (Campbellsville), the city of Liberty (Liberty), the city of Eubank (Eubank), and the city of Russell Springs (Russell Springs). Campbellsville notified East Casey District that its wholesale rate would increase from \$2.54 per 1,000 gallons to \$2.95 per 1,000 gallons,

effective September 28, 2022.<sup>1</sup> Liberty notified East Casey District that its wholesale rate would increase from a minimum bill of \$25,000 for the first 10 million gallons, and all over 10 million gallons at @2.55 per 1,000 gallons to a minimum bill of \$27,500 for the first 10 million gallons, and all over 10 million gallons at \$2.75 per 1,000 gallons, effective September 8, 2023.<sup>2</sup> East Casey District proposes to increase the water rates to its customers effective September 18, 2023, to reflect the increased cost of purchased water from Campbellsville and Liberty. Eubank and Russell Springs did not propose any changes in rates.

#### 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, East Casey District reported a water loss of 33.8816 percent.<sup>3</sup> East Casey District's application provides updated purchase and sales information for the period of June 2022 through May 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility reported in its 2022 Annual Report, East Casey District's unaccounted-for water loss is

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<sup>1</sup> TFS2022-00470 (Ky. PSC Sept. 28, 2022); East Casey District submitted the tariff on June 10, 2022, and the tariff was accepted for filing by the Commission by letter dated October 12, 2022, with an effective date of September 28, 2022.

<sup>2</sup> Case No. 2023-00211, *Electronic Tariff Filing of the City of Liberty Revising Its Wholesale Water Service Rates* (Ky. PSC Sept. 8, 2023).

<sup>3</sup> *Annual Report of East Casey District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

23.84 percent for the updated period.<sup>4</sup> Reduction of East Casey District’s unaccounted-for water loss to 15 percent would result in an approximate \$92,697.69 decrease to purchased water expense.<sup>5</sup> Potentially, East Casey District is paying approximately \$0.34 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.<sup>6</sup> The cost of East Casey District’s total water loss is \$249,985.11.<sup>7</sup>

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages East Casey District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by East Casey District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Financial Condition and Rates

Based on a review of Commission records, East Casey District was ordered to file for a rate adjustment in Case No. 2022-00228, by June 30, 2023.<sup>8</sup> An application for an

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|   |             |
|---|-------------|
| 4 Total Purchases (application PWA Form 1 at 2)       | 373,665,539 |
| Less Total Sales (application PWA Form 1 at 2)        | 276,425,500 |
| Less Plant Use (% determined from 2021 Annual Report) | 8,157,119   |
| Water Loss – Gallons                                  | 89,082,920  |
| Water Loss – Percent                                  | 23.84%      |

<sup>5</sup> Water loss above 15% is 8.41%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$1,048,582.83 times water loss above 15%) equals \$92,697.69.

<sup>6</sup> Potential purchased water expense reduction divided by sales (\$92,697.69/ (276,425,500/1,000)) equals \$0.34 per 1,000 gallons.

<sup>7</sup> Total water cost at new wholesale rate of \$1,048,582.83 x 23.84% water loss = \$249,985.11.

<sup>8</sup> Case No. 2022-00228, *Electronic Investigation of East Casey County Water District and Its Officers, Kevin Atwood, Lily Sandusky, Ricky Carman, Tracy Gossage, John Mcquery, And Its Manager, Andy Greynolds, to Comply with a Commission Order, KRS 278.990* (Ky. PSC Dec. 8, 2022), final Order.

alternative rate filing was tendered on June 30, 2023 by East Casey District, with all deficiencies cured on July 24, 2023.<sup>9</sup> East Casey District's current rate case is in the discovery phase. Commission Staff does not recommend any further action at this time.

#### Purchased Water Adjustment Factor

In its application, East Casey District proposed a purchased water adjustment factor of \$0.245 per 1,000 gallons. During the 12 months ended May 31, 2023, East Casey District purchased 23,684,800 gallons of water from Campbellsville, 290,675,670 gallons of water from Liberty, 1,600,900 gallons of water from Eubank, and 57,704,169 gallons of water from Russell Springs. East Casey District sold 276,425,500 gallons of water to its customers. The increase in the cost of purchased water from Campbellsville and Liberty is \$67,845.90, resulting in a purchased water adjustment factor of \$0.245 per 1,000 gallons. No rate changes occurred from Eubank or Russell Springs.

The purchased water adjustment factor of \$0.245 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 East Casey District on and after September 18, 2023, because the rates are supported by evidence of the increase in rates from East Casey District's wholesale water suppliers and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

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<sup>9</sup> Case No. 2023-00220, *Electronic Application of East Casey County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (filed July 24, 2023).

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.245 per 1,000 gallons is approved.
2. The rates proposed by East Casey District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by East Casey District on and after September 18, 2023.
4. Within 20 days of the date of service of this Order, East Casey 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.

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PUBLIC SERVICE COMMISSION

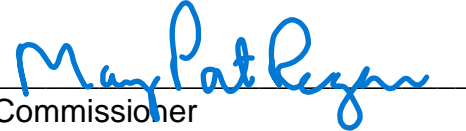
Chairman



Vice Chairman



Commissioner



ENTERED  
SEP 15 2023 rcs  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2023-00266 DATED SEP 15 2023

|                                   | Base Rate            | New Rate                   | Increase     |
|-----------------------------------|----------------------|----------------------------|--------------|
| <u>Campbellsville</u>             |                      |                            |              |
| Purchases in Gallons              | 23,684,800           | 23,684,800                 |              |
| Wholesale rate                    | <u>\$ 2.54/1,000</u> | <u>\$ 2.95/1,000</u>       |              |
|                                   | \$60,159.39          | \$69,870.16                | \$ 9,710.77  |
| <u>Liberty</u>                    |                      |                            |              |
| Purchases in Gallons              | 290,675,670          | 290,675,670                |              |
| Wholesale rate                    | <u>\$ 2.55/1,000</u> | <u>\$ 2.75/1,000</u>       |              |
|                                   | \$741,222.96         | \$799,358.09               | \$ 58,135.13 |
| <u>Eubank</u>                     |                      |                            |              |
| Purchases in Gallons              | 1,600,900            | 1,600,900                  |              |
| Wholesale rate                    | <u>\$ 4.62/1,000</u> | <u>NO CHANGE</u>           |              |
|                                   | \$7,396.16           |                            |              |
| <u>Russell Springs</u>            |                      |                            |              |
| Purchases in Gallons              | 57,704,169           | 57,704,169                 |              |
| Wholesale rate                    | <u>\$2.98/1,000</u>  | <u>NO CHANGE</u>           |              |
|                                   | \$171,958.42         |                            |              |
| TOTAL WATER COST                  | \$980,736.93         | \$1,048,582.83             | \$ 67,845.90 |
| Increased water cost              |                      | \$67,845.90                |              |
| Increased water cost              |                      | \$67,845.90                |              |
| Divided by Gallons sold/1,000     |                      | <u>276,425,500</u>         |              |
| Purchased water adjustment factor |                      | \$0.2454 per 1,000 Gallons |              |
|                                   |                      | or \$0.000245 per Gallon   |              |

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2023-00266 DATED SEP 15 2023

The following rates and charges are prescribed for the customers in the area served by East Casey County 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  | \$23.24 | Minimum Bill |
| Next  | 3,000 Gallons  | 0.01004 | Per Gallon   |
| Next  | 5,000 Gallons  | 0.00965 | Per Gallon   |
| Next  | 5,000 Gallons  | 0.00925 | Per Gallon   |
| Next  | 5,000 Gallons  | 0.00885 | Per Gallon   |
| Over  | 20,000 Gallons | 0.00806 | Per Gallon   |



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