

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---------------------------------|---|------------|
| ELECTRONIC PURCHASED WATER |) | CASE NO. |
| ADJUSTMENT FILING OF NEBO WATER |) | 2024-00120 |
| DISTRICT |) | |

ORDER

On May 8, 2024, Nebo Water District (Nebo 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, 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

Nebo District purchases water from the city of Madisonville (Madisonville) and Webster County Water District (Webster District). Madisonville notified Nebo District that its wholesale rate would increase from \$4.52 per 1,000 gallons to \$4.98 per 1,000 gallons,

effective March 4, 2024.¹ Nebo District proposes to increase the water rates to its customers effective April 25, 2024, to reflect the increased cost of purchased water from Madisonville.² Webster District 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, Nebo District reported a water loss of 17.2339 percent.³ In its 2022 Annual Report filed with the Commission, Nebo District's reported a water loss of 17.2339 percent.⁴ In its 2021 Annual Report filed with the Commission, Nebo District's reported a water loss of 14.5783 percent.⁵ In its 2020 Annual Report filed with the Commission, Nebo District's reported a water loss of

¹ Case No. 2023-00418, *Electronic Tariff Filing of Nebo Water District of an Amended Water Purchase Contract with the City of Madisonville* (Ky. PSC Mar. 4, 2024).

² Note that Nebo District adjusted its rates in a separate case effective April 18, 2024. Case No. 2024-00062, *Electronic Application of the Nebo Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Apr. 18, 2024), final Order.

³ *Annual Report of Nebo District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁴ *Annual Report of Nebo District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁵ *Annual Report of Nebo District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

18.6760 percent.⁶ Nebo District's 3-year water loss average is 16.8294 percent.⁷ The cost of Nebo District's total water loss in 2022 is \$90,815.71.⁸

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.⁹ 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.¹⁰ Nebo District requested a 23.33 percent, or \$204,278 revenue increase in Case No. 2024-00002,¹¹ which is currently pending before the Commission. Its last previous rate adjustment was in Case No. 2016-00435¹² in which it received a \$95,769, or 11.94 percent increase. It has also periodically filed Purchased Water Adjustments. The Commission recommends Nebo District review its financial performance annually and that it considers filing future rate requests no less than every three to five years depending on inflation and operating performance. More frequent rate filings will lessen the amount of each increase.

⁶ *Annual Report of Nebo District to the Public Service Commission for the Year Ended December 31, 2020* at 58.

⁷ $17.2339 + 14.5783 + 18.6760 = 50.4882 / 3 \text{ years} = 16.8294 \text{ percent.}$

⁸ Total water cost at new wholesale rate of \$526,959.74 times 17.2339 percent water loss equals \$90,815.71.

⁹ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

¹⁰ See Case No. 2019-00041, Nov. 22, 2019 final Order.

¹¹ Case No. 2024-00002, *Electronic Application of Nebo Water District for an Alternative Rate Filing Pursuant to 807 KAR 5:076* (filed Feb. 6, 2024).

¹² Case No. 2016-00435, *Application for Rate Adjustment of Nebo Water District* (Ky. PSC June 5, 2017), final Order.

Purchased Water Adjustment Factor

In its application, Nebo District proposed a purchased water adjustment factor of \$0.54 per 1,000 gallons. During the 12 months ended March 31, 2024, Nebo District purchased 105,351,000 gallons of water from Madisonville and 624,800 gallons of water from Webster District and sold 90,912,000 gallons of water to its customers. The increase in the cost of purchased water from Madisonville is \$48,461.46, resulting in a purchased water adjustment factor of \$0.54 per 1,000 gallons. No rate changes occurred from Webster District.

The purchased water adjustment factor of \$0.54 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 Nebo District on and after April 25, 2024, because the rates are supported by evidence of the increase in rates from Nebo 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 \$0.54 per 1,000 gallons is approved.
2. The rates proposed by Nebo District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Nebo District on and after April 25, 2024.
4. Within 20 days of the date of service of this Order, Nebo 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



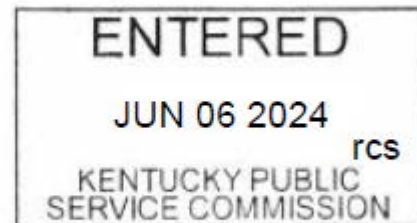
Chairman



Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00120 DATED JUN 06 2024

| | Base Rate | New Rate | Change |
|-----------------------------------|---------------------|---------------------|-------------------|
| <u>Madisonville</u> | | | |
| Purchases in Gallons | 105,351,000 | 105,351,000 | |
| Rate per 1,000 Gallons | <u>\$4.52/1,000</u> | <u>\$4.98/1,000</u> | |
| Subtotal | \$476,186.52 | \$524,647.98 | \$48,461.46 |
| <u>Webster District</u> | | | |
| Purchases in Gallons | 624,800 | 624,800 | |
| Rate per 1,000 Gallons | <u>\$3.70/1,000</u> | <u>\$3.70/1,000</u> | |
| Subtotal | \$2,311.76 | \$2,311.76 | no change |
| Total | \$478,498.28 | \$526,959.74 | |
| Increased water cost | | | \$48,461.46 |
| Increased water cost | | \$48,461.46 | |
| Divided by Gallons sold/1,000 | | <u>90,912,000</u> | |
| Purchased water adjustment factor | | \$0.54 | per 1,000 Gallons |
| | | or \$ 0.00054 | per Gallon |

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00120 DATED JUN 06 2024

The following rates and charges are prescribed for the customers in the area served by Nebo 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

5/8- X 3/4-Inch Meter

| | | | |
|-------|----------------|---------|--------------|
| First | 2,000 Gallons | \$29.48 | Minimum Bill |
| Next | 2,000 Gallons | 0.01104 | Per Gallon |
| Next | 6,000 Gallons | 0.01054 | Per Gallon |
| Next | 10,000 Gallons | 0.01005 | Per Gallon |
| Over | 20,000 Gallons | 0.00955 | Per Gallon |

1-Inch Meter

| | | | |
|-------|----------------|---------|--------------|
| First | 4,000 Gallons | \$51.56 | Minimum Bill |
| Next | 6,000 Gallons | 0.01054 | Per Gallon |
| Next | 10,000 Gallons | 0.01005 | Per Gallon |
| Over | 20,000 Gallons | 0.00955 | Per Gallon |

1 1/2-Inch Meter

| | | | |
|-------|----------------|----------|--------------|
| First | 10,000 Gallons | \$114.80 | Minimum Bill |
| Next | 10,000 Gallons | 0.01005 | Per Gallon |
| Over | 20,000 Gallons | 0.00955 | Per Gallon |

2-Inch Meter

| | | | |
|-------|----------------|----------|--------------|
| First | 20,000 Gallons | \$215.30 | Minimum Bill |
| Over | 20,000 Gallons | 0.00955 | Per Gallon |

3-Inch Meter

| | | | |
|-------|----------------|----------|--------------|
| First | 30,000 Gallons | \$310.80 | Minimum Bill |
| Over | 30,000 Gallons | 0.00955 | Per Gallon |

4-Inch Meter

| | | | |
|-------|----------------|----------|--------------|
| First | 50,000 Gallons | \$501.80 | Minimum Bill |
| Over | 50,000 Gallons | 0.00955 | Per Gallon |

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