

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF WEST SHELBY)	2024-00154
WATER DISTRICT)	

ORDER

On May 16, 2024, West Shelby Water District (West Shelby District) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment (PWA) procedure set forth in KRS 278.015 and 807 KAR 5:068. On May 17, 2024, the Commission notified West Shelby District that its application was rejected for certain filing deficiencies. On May 20, 2024, West Shelby District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of that date.

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.

In accordance with 807 KAR 5:068 Section 4(2)(b), a utility shall submit the application “no earlier than thirty (30) days prior to the proposed effective date of the supplier’s changed rate...”.

DISCUSSION AND FINDINGS

West Shelby District purchases water from Louisville Water Company (Louisville) and Shelbyville Municipal Water & Sewer Commission (Shelbyville). Louisville notified West Shelby District that its wholesale rate would increase from \$2.63 per 1,000 gallons to \$2.72 per 1,000 gallons, effective July 1, 2024.¹

Shelbyville has two Master Meter locations, Finchville Master Meter (Finchville Meter) and Shelbyville Master Meter (Shelbyville Meter). Shelbyville notified West Shelby District that its wholesale rate for the Finchville Meter would increase from \$2.73 per 1,000 gallons to \$2.82 per 1,000 gallons and its wholesale rate for the Shelbyville Meter would increase from \$2.50 per 1,000 gallons to \$2.56 per 1,000 gallons effective May 19, 2024.² West Shelby District proposes to increase the water rates to its customers effective July 1, 2024, to reflect the increased cost of purchased water from Louisville and Shelbyville. However, West Shelby District’s proposed increase in water rates due to Louisville’s wholesale rate increase does not meet the regulation requirement in 807 KAR 5:068, Section 4(2)(b) stating that “no earlier than thirty (30) days prior to the proposed effective date of the supplier’s changed rate...” shall the application be submitted. West Shelby

¹ TFS024-00124 (Ky. PSC Mar. 27, 2024); Louisville submitted the tariff on March 27, 2024, and the tariff is currently in circulation, with a proposed effective date of July 1, 2024.

² TFS2024-00167 (Ky. PSC Apr. 11, 2024); Shelbyville submitted the tariff on Apr. 11, 2024, and the tariff was accepted for filing by the Commission by letter dated May 16, 2024, with an effective date of May 19, 2024.

District's application was deemed filed on May 20, 2024, with the proposed effective date of Louisville's wholesale rate increase on July 1, 2024, a span of 42 days.

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 2021 Annual Report filed with the Commission, West Shelby District reported a water loss of 13.8417 percent.³ In its 2022 Annual Report filed with the Commission, West Shelby District reported a water loss of 11.2106 percent.⁴ In its 2023 Annual Report filed with the Commission, West Shelby District reported a water loss of 10.4671 percent.⁵ West Shelby District's three-year water loss average is 11.8398 percent.⁶ The approximate cost of West Shelby District's total water loss in 2023 is \$105,522.78.⁷

³ *Annual Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2021* at 58.

⁴ *Annual Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2022* at 58.

⁵ *Annual Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2023* at 58.

⁶ $13.8417\% + 11.2106\% + 10.4671\% = 35.5194\% / 3 \text{ years} = 11.8398\% \text{ percent.}$

⁷ Total water cost at new wholesale rate of \$891,254.73 x 11.8398% water loss equals \$105,522.78.

Financial Condition and Rates

Based upon a review of the annual and audit reports filed with the Commission, West Shelby District's adjusted net income was negative for the years of 2018,⁸ 2019,⁹ 2020,¹⁰ and 2021,¹¹ but was positive in 2022.¹² West Shelby District filed PWAs in each of the years from 2018 to 2022. West Shelby District's last alternative rate filing in Case No. 2021-00241, which became final on February 24, 2022, reflected an increase in revenue of \$162,049 or 10.09 percent.¹³ Given this information, the Commission recommends that West Shelby District regularly monitor its operating performance and consider filing an application for a general base rate adjustment or an alternative rate adjustment every three years, to ensure that its revenue is sufficient to support adequate and reliable service.

Purchased Water Adjustment Factor

In its application, West Shelby District proposed a purchased water adjustment factor of \$0.10 per 1,000 gallons.¹⁴ During the 12 months ended March 2024, West

⁸ *Annual Audit Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2018* at 6.

⁹ *Annual Audit Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2019* at 6.

¹⁰ *Annual Audit Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2020* at 6.

¹¹ *Annual Audit Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2021* at 6.

¹² *Annual Audit Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2022*, at 6.

¹³ 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), final Order.

¹⁴ Application, (filed May 20, 2024), Exhibit_F_corrected_pre-approval_customer_2024.xlsx.

Shelby District purchased 254,651,000 gallons of water from Louisville and 83,318,408 gallons of water from Shelbyville and sold 291,197,060 gallons of water to its customers.

As discussed earlier, because Louisville's effective date is July 1, 2024, and West Shelby District's application was filed on May 20, 2024, the proposed increase in the purchased water adjustment factor for Louisville does not meet the regulation requirement in 807 KAR 5:068, Section 4(2)(b) stating that "no earlier than thirty (30) days prior to the proposed effective date of the supplier's changed rate..." shall the application be submitted. The increase in the cost of purchased water from Shelbyville, as calculated in Appendix A, is \$5,471.02, resulting in a purchased water adjustment factor of \$0.02 per 1,000 gallons.

The purchased water adjustment factor of \$0.02 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 West Shelby District on and after the final date of this Order, because the rates are supported by evidence of the increase in rates from West Shelby District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

Commission Staff recommend that West Shelby District file a separate purchased water adjustment application for the Louisville wholesale rate increase.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.02 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 the final date of this Order.

4. 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.

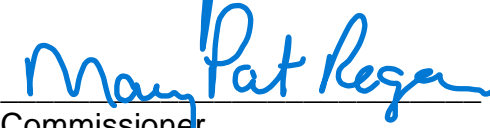
5. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
JUN 17 2024
rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director *FOR*

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00154 DATED JUN 17 2024

	Base Rate	New Rate	Change
<u>Shelbyville</u>			
Purchases in Gallons	78,919,808	78,919,808	
Rate per 1,000 Gallons	<u>\$2.50/1,000</u>	<u>\$2.56/1,000</u>	
Subtotal	\$197,299.52	\$202,034.71	\$4,735.19
<u>Finchville</u>			
Purchases in Gallons	4,398,600	4,398,600	
Rate per 1,000 Gallons	<u>\$2.73/1,000</u>	<u>\$2.82/1,000</u>	
Subtotal	\$12,008.18	\$12,404.05	\$395.87
<u>Louisville Water</u>			
<u>Company</u>			
Purchases in Gallons	254,651,000	254,651,000	
Rate per 1,000 Gallons	<u>\$2.63/1,000</u>	<u>\$2.63/1,000</u>	
Subtotal	\$669,732.13	\$669,732.13	\$0.00
<u>Louisville (Monthly Charges)</u>			
Months	12	12	
Monthly Service Charge	<u>\$590.32</u>	<u>\$590.32</u>	
Subtotal	\$7,083.84	\$7,083.84	\$0.00
Total Water Cost	\$886,123.67	\$891,254.73	
Increased water cost			\$5,131.06
Increased water cost		\$5,131.06	
Divided by Gallons sold/1,000		<u>291,197,060</u>	
Purchased water adjustment factor		\$0.02	per 1,000 Gallons
		or	
		\$0.00002	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00154 DATED JUN 17 2024

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 the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8 X 3/4-Inch Meter

First	2,500 Gallons	20.77	Minimum Bill
Next	7,500 Gallons	0.00628	Per Gallon
Next	20,000 Gallons	0.00593	Per Gallon
Next	200,000 Gallons	0.00548	Per Gallon
Over	230,000 Gallons	0.00503	Per Gallon

3/4-Inch Meter

First	3,500 Gallons	27.04	Minimum Bill
Next	6,500 Gallons	0.00628	Per Gallon
Next	20,000 Gallons	0.00593	Per Gallon
Next	200,000 Gallons	0.00548	Per Gallon
Over	230,000 Gallons	0.00503	Per Gallon

1-Inch Meter

First	5,000 Gallons	36.43	Minimum Bill
Next	5,000 Gallons	0.00628	Per Gallon
Next	20,000 Gallons	0.00593	Per Gallon
Next	200,000 Gallons	0.00548	Per Gallon
Over	230,000 Gallons	0.00503	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	67.82	Minimum Bill
Next	20,000 Gallons	0.00593	Per Gallon
Next	200,000 Gallons	0.00548	Per Gallon
Over	230,000 Gallons	0.00503	Per Gallon

2-Inch Meter

First	16,000 Gallons	103.37	Minimum Bill
Next	14,000 Gallons	0.00593	Per Gallon
Next	200,000 Gallons	0.00548	Per Gallon
Over	230,000 Gallons	0.00503	Per Gallon

3-Inch Meter

First	30,000 Gallons	186.34	Minimum Bill
Next	200,000 Gallons	0.00548	Per Gallon
Over	230,000 Gallons	0.00503	Per Gallon

4-Inch Meter

First	50,000 Gallons	295.83	Minimum Bill
Next	180,000 Gallons	0.00548	Per Gallon
Over	230,000 Gallons	0.00503	Per Gallon

6-Inch Meter

First	100,000 Gallons	569.55	Minimum Bill
Next	130,000 Gallons	0.00548	Per Gallon
Over	230,000 Gallons	0.00503	Per Gallon

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