

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NORTH NELSON)	2024-00156
WATER DISTRICT)	

ORDER

On June 3, 2024, North Nelson Water District (North Nelson District) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. On June 5, 2024, the Commission notified North Nelson District that its application was rejected for certain filing deficiencies. On June 7, 2024, North Nelson 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.

DISCUSSION AND FINDINGS

North Nelson District purchases water from Louisville Water Company (Louisville Water) and the city of Bardstown (Bardstown). Louisville Water notified North Nelson District that effective July 1, 2024, its wholesale rate would increase from \$2.63 per 1,000 gallons to \$2.72 per 1,000 gallons, and its monthly service charges would increase from \$150.72 to \$157.95 per 4-inch meter and from \$351.68 to \$368.56 per 6-inch meter.¹ North Nelson District proposes to increase the water rates to its customers effective July 1, 2024, to reflect the increased cost of purchased water from Louisville Water. Bardstown proposed no 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 2023 Annual Report filed with the Commission, North Nelson District reported a water loss of 8.4565 percent.² In its 2022 Annual Report filed with the Commission, North Nelson District reported a water loss of 6.7286 percent.³ In its 2021 Annual Report filed with the Commission, North Nelson District reported a water loss of 5.6337 percent.⁴ North Nelson District's three-year water loss average is 6.9396

¹ TFS2024-00122 (Ky. PSC Mar. 27, 2024); Louisville Water submitted the tariff on March 27, 2024, and the tariff was accepted for filing by the Commission by letter dated June 20, 2024, with an effective date of July 1, 2024.

² *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2023* at 58.

³ *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2022* at 58.

⁴ *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2021* at 58.

percent.⁵ The approximate cost of North Nelson District's total water loss in 2023 is \$60,199.65.⁶

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.⁷ 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.⁸ Consequently, in Case No. 2022-00146,⁹ North Nelson District was ordered to file an application for a general base rate adjustment or an alternative rate adjustment by June 24, 2023, to ensure that its revenue is sufficient to support adequate and reliable service, or, in the alternative, file a formal motion with a detailed analysis of its rates and revenues and a statement of the reasons why a rate case is not necessary. On June 23, 2023, North Nelson District filed a motion for a one-year extension to submit an application for a rate adjustment. On July 31, 2023, the Commission entered an Order finding good cause to grant the one-year extension in which to file for a rate adjustment.¹⁰ On June 7, 2024, North Nelson District

⁵ $5.6337 + 6.7286 + 8.4565 = 20.8188 / 3 \text{ years} = 6.9396\%$.

⁶ Total water cost at new wholesale rate of \$867,480.18 times 6.9396% water loss equals \$60,199.65.

⁷ See Case No. 2019-00041, *Electronic Investigation Into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

⁸ See Case No. 2019-00041, Nov. 22, 2019 final Order.

⁹ Case No. 2022-00146, *Electronic Purchased Water Adjustment Filing of North Nelson Water District* (Ky. PSC June 24, 2022), final Order.

¹⁰ Case No. 2022-00146, July 31, 2023 Order.

filed a motion for an additional 90-day extension of time, until September 24, 2024, to file for a rate adjustment.¹¹ On June 20, 2024, the Commission denied the motion for a 90-day extension and North Nelson District was ordered to immediately file an application for a rate adjustment.¹²

Purchased Water Adjustment Factor

In its application, North Nelson District proposed a purchased water adjustment factor of \$0.08 per 1,000 gallons. During the 12 months ended April 30, 2024, North Nelson District purchased 225,492,000 gallons of water from Louisville Water and 91,111,700 gallons of water from Bardstown and sold 276,490,500 gallons of water to its customers. The increase in the cost of purchased water from Louisville Water and Bardstown is \$20,583.60, resulting in a purchased water adjustment factor of \$0.08 per 1,000 gallons. No rate changes occurred from Bardstown.

The purchased water adjustment factor of \$0.08 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 North Nelson District on and after July 1, 2024, because the rates are supported by evidence of the increase in rates from North Nelson 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 \$0.08 per 1,000 gallons is approved.

¹¹ Case No. 2022-00146, June 7, 2024, Post Case Files, Motion for Extension of Time.

¹² Case No. 2022-00146, June 20, 2024 Order.

2. The rates proposed by North Nelson District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North Nelson District on and after July 1, 2024.
4. Within 20 days of the date of service of this Order, North Nelson 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. 2024-00156 DATED JUL 05 2024

	Base Rate	New Rate	Change
<u>Louisville Water</u>			
Purchases in Gallons	225,492,000	225,492,000	
Rate per 1,000 Gallons	<u>\$2.63/1,000</u>	<u>\$2.72/1,000</u>	
Subtotal	\$593,043.96	\$613,338.24	\$20,294.28
Months	12	12	
4-Inch Meter	\$150.72	\$157.95	
6-Inch Meter	<u>\$351.68</u>	<u>\$368.56</u>	
Subtotal	\$6,028.80	\$6,318.12	\$289.32
<u>Bardstown</u>			
Purchases in Gallons	91,111,700	91,111,700	
Rate per 1,000 Gallons	<u>\$2.72/1,000</u>	<u>\$2.72/1,001</u>	
Subtotal	\$247,823.82	\$247,823.82	\$0.00
Total Water Cost	\$846,896.58	\$867,480.18	
Increased water cost			\$20,583.60
Increased water cost		\$20,583.60	
Divided by Gallons sold/1,000		<u>276,490,500</u>	
Purchased water adjustment factor		\$0.08	per 1,000 Gallons
		or	
		\$0.00008	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00156 DATED JUL 05 2024

The following rates and charges are prescribed for the customers in the area served by North Nelson 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	\$16.21	Minimum Bill
Next	3,000 Gallons	0.00493	Per Gallon
Next	5,000 Gallons	0.00441	Per Gallon
Over	10,000 Gallons	0.00406	Per Gallon
Truck Loading Station		0.00774	Per Gallon

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