

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF BREATHITT COUNTY)	2024-00215
WATER DISTRICT)	

ORDER

On July 2, 2024, Breathitt County Water District (Breathitt 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

Breathitt District purchases water from the city of Jackson (Jackson) and the city of Campton (Campton). Jackson notified Breathitt District that its wholesale rate would

increase from \$4.16 per 1,000 gallons to \$4.28 per 1,000 gallons, effective July 1, 2024.¹ Breathitt District proposes to increase the water rates to its customers effective July 1, 2024, to reflect the increased cost of purchased water from Jackson. Campton did not modify its wholesale rate.

In its application, Breathitt District provided a table of Current and Proposed Rates.² A mathematical error was identified in the proposed rate for Kentucky Mountain Bible College, First 10,000 Gallons. The minimum bill listed in the application is \$179.92; however, the proposed minimum bill should be \$180.02.³ Breathitt District did not provide a Phase 2 or Phase 3 proposed rate schedule⁴ that reflects this purchased water adjustment increase. The rate schedule in Appendix B reflects a correction to the minimum bill and the effect of the purchased water adjustment on current rates as well as Phase 2 and Phase 3 rates. Accordingly, Breathitt District should use the rates set out in Appendix B of this Order when it issues the required customer notice to implement Phase 2 and Phase 3 rates pursuant to the final Order in Case No. 2022-00136.

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

¹ TFS2024-00244 (Ky. PSC May 29, 2024); Breathitt District submitted the tariff on May 29, 2024, and the tariff was accepted for filing by the Commission by letter dated June 28, 2024, with an effective date of July 1, 2024.

² Application at unnumbered page 7.

³ Current Rate \$178.52 minimum bill for the First 10,000 gallons plus \$1.50 ($\$0.15 \times 10,000$) equaling the new rate of \$180.02.

⁴ On Jan. 31, 2024, the Commission approved a 54.07% rate increase to be phased in over three years. See Case No. 2022-00136, *Electronic Application of Breathitt County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 31, 2024), final Order.

water produced and purchased, excluding water consumed by a utility in its own operations. In its 2021 Annual Report filed with the Commission, Breathitt District reported a water loss of 13.3513 percent.⁵ In its 2022 Annual Report filed with the Commission, Breathitt District reported a water loss of 14.1625 percent.⁶ In its 2023 Annual Report filed with the Commission, Breathitt District reported a water loss of 12.0241 percent.⁷ Breathitt District's three-year water loss average is 13.1793 percent.⁸ The approximate cost of Breathitt District's total water loss using the three-year average water loss percentage is \$47,007.26.⁹

Financial Condition and Rates

Based on a review of Commission records, Breathitt District filed a purchased water adjustment every year from 2019 through 2023. Breathitt District's last alternative rate filing in Case No. 2022-00136, which became final on January 31, 2024, based upon a 2021 test year, reflected an increase of \$663,039 or 54.07 percent.¹⁰ The increase is being implemented in three annual phases with equal amounts each year of approximately \$221,000.¹¹ Rate based income (adjusted net income minus principal

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

⁶ *Annual Report of Breathitt District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁷ *Annual Report of Breathitt District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁸ $13.3513\% + 14.1625\% + 12.0241\% = 39.5379 / 3 \text{ years} = 13.1793 \text{ percent.}$

⁹ Total water cost at new wholesale rate of \$356,674.92 times 13.1793% water loss equals \$47,007.26.

¹⁰ See Case No. 2022-00136, Jan. 31. 2024 final Order.

¹¹ Case No. 2022-00136, Jan. 31. 2024 final Order.

payments) was negative in each of the years. Cash basis income (rate-based income plus depreciation expense) was slightly positive from 2019 through 2021 but declined to negative \$104,672 in 2022 and negative \$372,424 in 2023.¹² The first phase of the rate increase that was approved and implemented in January 2024 does not appear to be sufficient to return Breathitt District to positive cash flow in 2024. The Commission finds that Breathitt District should file a revenue sufficiency report no later than May 31, 2025, based on audited 2024 financial statements with the understanding that continued unfavorable financial performance could result in an acceleration of the third phase of the previously approved increase in Case No. 2022-00136.

Purchased Water Adjustment Factor

In its application, Breathitt District proposed a purchased water adjustment factor of \$0.15 per 1,000 gallons. During the 12 months ended May 31, 2024, Breathitt District purchased 83,267,000 gallons of water from Jackson and 88,000 gallons of water from Campton and sold 69,430,000 gallons of water to its customers. The increase in the cost of purchased water from Jackson is \$9,992.04, resulting in a purchased water adjustment factor of \$0.15 per 1,000 gallons. No rate changes occurred from Campton.

The purchased water adjustment factor of \$0.15 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 Breathitt District on and after July 1, 2024, because the rates are supported by evidence of the increase in

¹² *Audit Report of Breathitt District to the Public Service Commission for the Year Ended December 31, 2022* at 13; and *Audit Report of Breathitt District to the Public Service Commission for the Year Ended December 31, 2023* at 13.

rates from Breathitt 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 \$0.15 per 1,000 gallons is approved.
2. The rates proposed by Breathitt District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Breathitt District on and after July 1, 2024.
4. The Commission hereby amends final Order in Case No. 2022-00136 to the extent that Breathitt District shall use the rates set out in Appendix B of this Order to issue the requisite customer notice on or before the implementation of the Phase 2 and Phase 3 rates set forth in the final Order in Case No. 2022-00136. Any remaining provisions of the final Order in Case No. 2022-00136 not inconsistent with this Order shall remain in full force and effect.
5. Within 20 days of the date of service of this Order, Breathitt District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
6. On or before May 31, 2025, Breathitt District shall file a revenue sufficiency report based on audited 2024 financial statements.
7. This case is closed and removed from the Commission's docket.

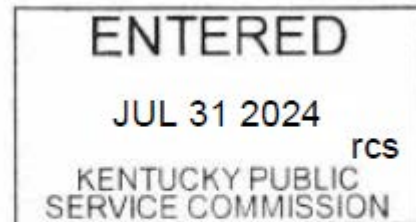
PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00215 DATED JUL 31 2024

	Base Rate	New Rate	Change
<u>Jackson</u>			
Purchases in Gallons	83,267,000	83,267,000	
Rate per 1,000 Gallons	<u>\$4.16/1,000</u>	<u>\$4.28/1,000</u>	
Subtotal	\$346,390.72	\$356,382.76	\$9,992.04
<u>Campton</u>			
Purchases in Gallons	88,000	88,000	
Rate per 1,000 Gallons	<u>\$3.32/1,000</u>	<u>\$3.32/1,000</u>	
Sub-total	\$292.16	\$292.16	\$0.00
 Total	 \$346,682.88	 \$356,674.92	
 Increased water cost			 \$9,992.04
 Increased water cost		\$9,992.04	
Divided by Gallons sold/1,000		<u>69,430,000</u>	
Purchased water adjustment factor		\$0.1439	per 1,000 Gallons
		or \$ 0.00015	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00215 DATED JUL 31 2024

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

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$36.01	Minimum Bill
Over	2,000 Gallons	\$0.01801	Per Gallon

<u>Leak Adjustment Rate</u>	0.00938	Per Gallon
-----------------------------	---------	------------

Wholesale Rates

Village of Buckhorn	0.00648	Per Gallon
---------------------	---------	------------

Kentucky Mountain Bible College

First	10,000 Gallons	\$ 180.02	Minimum Bill
Next	190,000 Gallons	0.01108	Per Gallon
Over	200,000 Gallons	0.00944	Per Gallon

Monthly Water Rates

Phase 2 – To Be Implemented on January 31, 2025

5/8-inch x 3/4-inch Meter

First	2,000 Gallons	\$ 41.47	Minimum Bill
Over	2,000 Gallons	0.02074	Per Gallon

<u>Leak Adjustment Rate</u>	0.00953	Per Gallon
-----------------------------	---------	------------

Wholesale Rates

Village of Buckhorn	0.00663	Per Gallon
---------------------	---------	------------

Phase 2 - Wholesale Rates cont.

Kentucky Mountain Bible College			
First	10,000 Gallons	\$ 207.33	Minimum Bill
Next	190,000 Gallons	0.01275	Per Gallon
Over	200,000 Gallons	0.01086	Per Gallon

Monthly Water Rates

Phase 3 – To Be Implemented on January 31, 2026

5/8-inch x 3/4-inch Meter

First	2,000 Gallons	\$ 46.91	Minimum Bill
Over	2,000 Gallons	0.02347	Per Gallon

<u>Leak Adjustment Rate</u>	0.00968	Per Gallon
-----------------------------	---------	------------

Wholesale Rates

Village of Buckhorn	0.00678	Per Gallon
---------------------	---------	------------

Kentucky Mountain Bible College

First	10,000 Gallons	\$ 234.56	Minimum Bill
Next	190,000 Gallons	0.01424	Per Gallon
Over	200,000 Gallons	0.01206	Per Gallon

*Breathitt County Water District
1137 Main Street, Suite 305
Jackson, KY 41339

*Cheryl Campbell
Breathitt County Water District
1137 Main Street, Suite 305
Jackson, KY 41339

*Estill McIntosh
Superintendent
Breathitt County Water District
1137 Main Street, Suite 305
Jackson, KY 41339

*David P. Foster
Rural Community Assistance Partnership
101 Burch Court
Frankfort, KENTUCKY 40601