

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF EAST CASEY	)	2024-00228
COUNTY WATER DISTRICT	)	

ORDER

On July 19, 2024, 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, 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

East Casey District purchases water from Campbellsville Municipal Water & Sewer (Campbellsville), the city of Russell Springs (Russell Springs), the city of Liberty (Liberty), the city of Eubank, (Eubank) and Columbia/Adair Utilities District (Columbia/Adair). Campbellsville notified East Casey District that its wholesale rate would increase from

\$2.95 per 1,000 gallons to \$3.48 per 1,000 gallons, effective August 1, 2024.<sup>1</sup> Russell Springs notified East Casey District that its wholesale rate would increase from \$2.98 per 1,000 gallons to 3.85 per 1,000 gallons, effective June 17, 2024.<sup>2</sup> East Casey District proposes to increase the water rates by \$0.253 per 1,000 gallons to its retail customers effective August 19, 2024, to reflect the increased cost of purchased water from Campbellsville and Russell Springs. East Casey District proposes to increase the water rates to its wholesale customers by \$0.87 per 1,000 gallons to reflect the increased cost of purchased water from Russell Springs.<sup>3</sup>

#### 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, East Casey District reported a water loss of 31.01 percent.<sup>4</sup> In its 2022 Annual Report filed with the Commission, East Casey District reported a water loss of 33.8816 percent.<sup>5</sup> In its 2023 Annual Report filed with the Commission, East Casey District reported a water loss of

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<sup>1</sup> TFS2024-00285 (Ky. PSC June 18, 2024); Campbellsville submitted the tariff on June 18, 2024, and the tariff was accepted for filing by the Commission by letter dated July 31, 2024, with an effective date of August 1, 2024.

<sup>2</sup> TFS2024-00186 (Ky. PSC April 23, 2024); Russell Springs submitted the tariff on April 23, 2024, and the tariff was accepted for filing by the Commission by letter dated June 14, 2024, with an effective date of June 17, 2024.

<sup>3</sup> Application, Exhibit C.

<sup>4</sup> *Annual Report of East Casey District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

<sup>5</sup> *Annual Report of East Casey District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

12.5837 percent.<sup>6</sup> East Casey District's three-year water loss average is approximately 13.6469 percent.<sup>7</sup> The approximate cost of East Casey District's total water loss expense using the three-year average percentage is \$1,065.<sup>8</sup>

The Commission is concerned that the reported gallons sold in East Casey District's 2023 Annual Report may be materially overstated. East Casey District reported a 64.4 million gallon, or 26.8 percent, increase in sales volume.<sup>9</sup> While revenues did increase by about 22 percent, the average unit revenue decreased by 4 percent. This is counter to what the Commission expects given the large rate increase approved in Case No. 2022-00316.<sup>10</sup> The Commission recommends East Casey District review its annual report filing to ensure its accuracy.

#### Financial Condition and Rates

Based on a review of Commission records, East Casey District's last alternative rate filing in Case No. 2023-00220, did not result in a rate adjustment as Commission Staff calculated a potential excess revenue amount of \$566,679 or 18.42 percent.<sup>11</sup> East Casey District's last rate increase occurred as a result of a project that was funded by the

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<sup>6</sup> *Annual Report of East Casey District to the Public Service Commission for the Year Ended December 31, 2023* (2023 Annual Report) at 57.

<sup>7</sup>  $31.01\% + 33.8816\% + 12.5837\% = 40.9407\% / 3 \text{ years} = 13.6469\%$ .

<sup>8</sup> Total water cost at new wholesale rate of \$1,028,376.46 times 13.6469% water loss equals \$1,064.70.

<sup>9</sup> 2023 Annual Report.

<sup>10</sup> Case No. 2022-00316, *Electronic Application of East Casey County Water District for a Certificate of Public Convenience and Necessity to Constrict a System Improvements Project and an Order Approving an Increase in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Oct. 28, 2022).

<sup>11</sup> Case No. 2023-00220, *Electronic Application of East Casey County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 21, 2024), final Order.

US Department of Agriculture Rural Development (RD), as a condition for federal financing of a construction project in accordance with KRS 278.023, on October 28, 2022.<sup>12</sup> In Case No. 2023-00220, the Commission ordered East Casey District to file a Qualified Infrastructure Improvement Plan (QIIP) to address its excess water loss but did not implement a water loss surcharge given the apparent excess revenues from base rates.<sup>13</sup> Cash basis income (rate based income plus depreciation expense) was negative from 2019 through 2022. East Casey District's cash basis income increased to \$435,063 in 2023 as a result of the rate increase from Case No. 2022-00316; however, results for 2023 do not include depreciation or debt service of approximately \$105,000 related to the project that was approved in Case No. 2022-00316.<sup>14</sup>

#### Purchased Water Adjustment Factor

In its application, East Casey District proposed a purchased water adjustment factor of \$0.253 per 1,000 gallons. During the 12 months ended May 31, 2024, East Casey District purchased 23,223,200 gallons of water from Campbellsville, 59,605,012 gallons of water from Russell Springs, 278,540,640 gallons of water from Liberty, 1,688,700 from Eubank and 600 gallons of water from Columbia/Adair. During the same 12 month period, East Casey District sold 253,130,100 gallons of water to its customers. The increase in the cost of purchased water from Campbellsville and Russell Springs is \$64,165, resulting in a purchased water adjustment factor of \$0.253 per 1,000 gallons. No rate changes occurred from Liberty, Eubank, or Columbia/Adair. Neither

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<sup>12</sup> Case No. 2022-00316, Oct. 28, 2022 Order.

<sup>13</sup> Case No. 2023-00220, May 21, 2024 final Order at 25.

<sup>14</sup> See Case No. 2022-00316, Oct. 28, 2022 Order.

Campbellsville nor Russell Springs is the main supplier of water to East Casey District, and the purchase water adjustment factor amount is adjusted based on the increase in the cost of gallons purchased divided by the gallons sold to customers of East Casey District, as shown in Appendix A.

The Commission finds that the purchased water adjustment factor of \$0.253 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 to retail and wholesale customers, rendered by East Casey District on and after August 19, 2024, because the rates are supported by evidence of the increase in rates from East Casey 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 \$0.253 per 1,000 gallons is approved.
2. The rates proposed by East Casey District are denied.
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 August 19, 2024.
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.

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Vice Chairman

  
\_\_\_\_\_  
Commissioner

ENTERED  
AUG 15 2024  
rCS  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00228 DATED AUG 15 2024

	Base Rate	New Rate	Change
<u>Campbellsville</u>			
Purchases in Gallons	23,223,200	23,223,200	
Rate per 1,000 Gallons	<u>\$2.95/1,000</u>	<u>\$3.48/1,000</u>	
Subtotal	\$68,508.44	\$80,816.74	\$12,308.30
<u>Russell Springs</u>			
Purchases in Gallons	59,605,012	59,605,012	
Rate per 1,000 Gallons	<u>\$2.98/1,000</u>	<u>\$3.85/1,000</u>	
Subtotal	\$177,622.94	\$229,479.30	\$51,856.36
<u>Liberty</u>			
Purchases in Gallons	278,540,640	278,540,640	
Rate per 1,000 Gallons	<u>\$2.55/1,000</u>	<u>\$2.55/1,000</u>	
Subtotal	\$710,278.63	\$710,278.63	\$0.00
<u>Eubank</u>			
Purchases in Gallons	1,688,700	1,688,700	
Rate per 1,000 Gallons	<u>\$4.62/1,000</u>	<u>\$4.62/1,000</u>	
Subtotal	\$7,801.79	\$7,801.79	\$0.00
<u>Columbia/Adair</u>			
Purchases in Gallons	600	600	
Rate per 1,000 Gallons	<u>\$2.75/1,000</u>	<u>\$2.75/1,000</u>	
Subtotal	\$1.65	\$1.65	\$0.00
Total Water Cost	\$964,211.80	\$1,028,376.46	
Increased water cost			\$64,164.66
Increased water cost		\$64,164.66	
Divided by Gallons sold/1,000		<u>253,130,100</u>	
Purchased water adjustment factor		\$0.253	per 1,000 Gallons
		or	
		\$0.000253	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00228 DATED AUG 15 2024

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 Rates

All Meters

First	2,000 Gallons	\$23.75	Minimum Bill
Next	3,000 Gallons	0.01030	Per Gallon
Next	5,000 Gallons	0.00991	Per Gallon
Next	5,000 Gallons	0.00951	Per Gallon
Next	5,000 Gallons	0.00911	Per Gallon
Over	20,000 Gallons	0.00832	Per Gallon
Wholesale Rate		0.00338	Per Gallon



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