

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF JUDY WATER)	2024-00258
ASSOCIATION, INC.)	

ORDER

On August 6, 2024, Judy Water Association, Inc. (Judy Water) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068. On August 15, 2024, the Commission notified Judy Water that its application was rejected for certain filing deficiencies. On August 15, 2024, Judy Water submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of August 15, 2024.

LEGAL STANDARD

In accordance with KRS 278.012, 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

Judy Water purchases water from Mt. Sterling Water and Sewer System (Mt. Sterling) and Kentucky-American Water Company (Kentucky-American). Mt. Sterling notified Judy Water that its wholesale rate would increase from \$3.67 per 1,000 gallons to \$3.82 per 1,000 gallons, effective September 1, 2024.¹ Judy Water proposes to increase the water rates to its customers effective September 1, 2024, to reflect the increased cost of purchased water from Mt. Sterling. The Commission approved a rate increase for Kentucky-American in Case No. 2023-00191,² which would increase Judy Water's rates pertaining to Sales for Resale. Judy Water did not include Kentucky-American's rate increase in its application.

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, Judy Water reported a water loss of 17.5225 percent.³ In its 2022 Annual Report filed with the Commission,

¹ TFS2024-00329 (Ky. PSC July 17, 2024); Mt. Sterling submitted the tariff on July 17, 2024, and the tariff was accepted for filing by the Commission by letter dated August 29, 2024, with an effective date of September 1, 2024.

² See Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions* (Ky. PSC May 3, 2024).

³ *Annual Report of Judy Water to the Public Service Commission for the Year Ended December 31, 2021* at 57.

Judy Water reported a water loss of 15.3375 percent.⁴ In its 2023 Annual Report filed with the Commission, Judy Water reported a water loss of 13.1729 percent.⁵ Judy Water's three-year water loss average is 15.3443%.⁶ The approximate cost of Judy Water's total water loss using a three-year average is \$109,823.26.⁷

Financial Condition and Rates

Based on a review of Commission records, Judy Water last sought a general base rate adjustment in 2022. In Case No. 2022-00436,⁸ Judy Water's rates increased by \$247,351, or 20.31 percent, as of August 4, 2023. Prior to the increase in Case No. 2022-00436, Judy Water's rate-based income (adjusted net income minus principal payments) was negative in all years except 2023 which reflected approximately four months of the rate increase. Cash basis income (rate-based income plus depreciation expense) was positive for years 2019 through 2023. Commission Staff recommends Judy Water monitor its operating performance annually and consider filing future rate cases no more than every three to five years depending on inflation and operating performance.

Purchased Water Adjustment Factor

In its application, Judy Water proposed a purchased water adjustment factor of \$0.13 per 1,000 gallons. During the 12 months ended June 30, 2024, Judy Water

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

⁵ *Annual Report of Judy Water to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁶ $17.5225 (2021) + 15.3375 (2022) + 13.1729 (2023) = 46.0329 \text{ percent} / 3 \text{ years} = 15.3443\%$.

⁷ Total water cost at new wholesale rate of \$715,726.77 times 15.3443% water loss equals \$109,823.26.

⁸ Case No. 2022-00436, *Electronic Application of Judy Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 4, 2023).

purchased 132,534,719 gallons of water from Mt. Sterling and 46,337,200 gallons of water from Kentucky-American and sold 155,002,082 gallons of water to its customers. The increase in the cost of purchased water from Mt. Sterling is \$19,880.21, resulting in a purchased water adjustment factor of \$0.13 per 1,000 gallons. Judy Water did not include Kentucky-American's recent rate increase in its proposed purchased water adjustment factor.⁹

The purchased water adjustment factor of \$0.13 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 Judy Water on and after September 1, 2024, because the rates are supported by evidence of the increase in rates from Judy Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.13 per 1,000 gallons is approved.
2. The rates proposed by Judy Water are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Judy Water on and after September 1, 2024.
4. Within 20 days of the date of service of this Order, Judy Water 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.


⁹ Case No. 2023-00191, May 3, 2024 final Order at 80-81.

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. 2024-00258 DATED SEP 10 2024

	Base Rate	New Rate	Change
<u>Mt. Sterling</u>			
Purchases in Gallons	132,534,719	132,534,719	
Rate per 1,000 Gallons	<u>\$3.67/1,000</u>	<u>\$3.82/1,000</u>	
Sub-total	\$486,402.42	\$506,282.63	\$19,880.21
 <u>Kentucky-American</u>			
Purchases in Gallons	2,000,000	2,000,000	
Rate per 1,000 Gallons	<u>\$4.52/1,000</u>	<u>\$4.52/1,000</u>	
Sub-total	\$9,040.00	\$9,040.00	\$0.00
 <u>Kentucky-American</u>			
Purchases in Gallons	44,337,200	44,337,200	
Rate per 1,000 Gallons	<u>\$4.62/1,000</u>	<u>\$4.62/1,000</u>	
Sub-total	\$204,837.86	\$204,837.86	\$0.00
 Total	 \$700,280.28	 \$720,160.49	
 Increased water cost			 \$19,880.21
 Increased water cost		 \$19,880.21	
Divided by Gallons sold/1,000		<u>155,002,082</u>	
Purchased water adjustment factor		\$0.13 per 1,000 Gallons	
		Or \$ 0.00013 per Gallon	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00258 DATED SEP 10 2024

The following rates and charges are prescribed for the customers in the area served by Judy Water Association, Inc. 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	1,000 Gallons	\$16.59	Minimum Bill
Next	4,000 Gallons	0.01133	Per Gallon
Next	5,000 Gallons	0.01027	Per Gallon
Over	10,000 Gallons	0.00919	Per Gallon

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