

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF REID VILLAGE)	2024-00265
WATER DISTRICT)	

ORDER

On September 4, 2024, Reid Village Water District (Reid Village 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. On September 5, 2024, Reid Village District was notified that its application was rejected for certain filing deficiencies. On September 5, 2024, Reid Village District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of September 5, 2024.

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 guidelines, 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

Reid Village District purchases water from Mount Sterling Water & Sewer (Mount Sterling). Mount Sterling notified Reid Village District 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 Reid Village District proposed to increase the water rates to its customers to reflect the increased cost of purchased water from Mount Sterling, for service on and after September 1, 2024.

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 2020 Annual Report filed with the Commission, Reid Village District reported a water loss of 7.5729 percent.² In its 2021 Annual Report filed with the Commission, Reid Village District reported a water loss of 12.1706 percent.³ In its 2022 Annual Report filed with the Commission, Reid Village District reported a water loss of 13.8868 percent.⁴ Reid Village District's three-year water loss average is 11.2101%.⁵ The

¹ TFS2024-00329 (Ky. PSC September 1, 2024); Mount Sterling Water & Sewer 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 *Annual Report of Reid Village District to the Public Service Commission for the Year Ended December 31, 2020* at 57.

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

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

⁵ $7.5729\% (2020) + 12.1706\% (2021) + 13.8868\% (2022) = 33.6303\% / 3 \text{ years} = 11.2101\%$.

approximate cost of Reid Village District's total water loss using a 3-year average is \$31,645.83.⁶ Reid Village District did not file its 2023 annual report by the March 31, 2024, required filing date. Reid Village District's untimely report was not filed until September 17, 2024, and has already had one subsequent amendment.

Financial Condition and Rates

Based on a review of Commission records, Reid Village District's last rate adjustment was pursuant to 807 KAR 5:076, an alternative rate application, in Case No. 2023-00140,⁷ with a final Order issued February 22, 2024. Reid Village District reflected an increase of \$99,266, or 15.94 percent. Based on 2022 results, the approved increase would result in positive rate-based income for the district. 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 federal financing cases to increase rates.⁸ 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.⁹ Reid Village should continue to review its finances for rate sufficiency and file an application for a rate adjustment as appropriate.

⁶ Total water cost at new wholesale rate of \$282,297.51 times 11.2101% water loss equals \$31,645.83.

⁷ Case No. 2023-00140, *Electronic Application of Reid Village Water District for a Rate Adjustment Pursuant to 807 KAR5:076* (Ky. PSC Feb. 23, 2024).

⁸ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

⁹ See Case No. 2019-00041, Nov. 22, 2019 final Order.

Purchased Water Adjustment Factor

In its application, Reid Village District proposed a purchased water adjustment factor of \$0.20 per 1,000 gallons. During the twelve months ended in July 2024, Reid Village District purchased 73,899,873 gallons of water from Mount Sterling and sold 56,972,850 gallons of water to its customers. The increase in the cost of purchased water from Mount Sterling is \$11,084.98, resulting in a purchased water adjustment factor of approximately \$0.20 per 1,000 gallons.

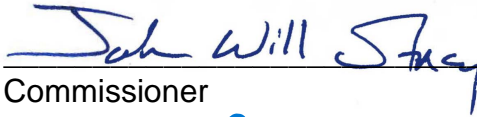
The purchased water adjustment factor of \$0.20 per 1,000 gallons, as calculated in Appendix A, and the rates set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Reid Village District on and after September 1, 2024, because the rates are supported by evidence of the increase in rates from Reid Village District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

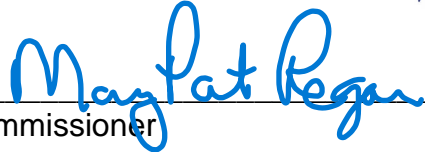
IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.20 per 1,000 gallons is approved.
2. The rates proposed by Reid Village District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Reid Village District on and after September 1, 2024.
4. Within 20 days of the date of service of this Order, Reid Village 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


Commissioner


Commissioner

ENTERED
OCT 04 2024
rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00265 DATED OCT 04 2024

* Denotes Rounding

	Base Rate	New Rate	Change
<u>Mount Sterling Water & Sewer</u>			
Purchases in Gallons	73,899,873	73,899,873	
Rate per 1,000 Gallons	<u>\$3.67/1,000</u>	<u>\$3.82/1,000</u>	
Subtotal	\$271,212.53	\$282,297.51	\$11,084.98
Increased water cost			\$11,084.98
Increased water cost		\$11,084.98	
Divided by Gallons sold/1,000		<u>56,972,850</u>	
Purchased water adjustment factor *		\$0.20	per 1,000 Gallons
		or \$	
		0.00020	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00265 DATED OCT 04 2024

The following rates and charges are prescribed for the customers in the area served by Reid Village 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 Retail Rates

All Meters

First	2,000 Gallons	31.95	Minimum Bill
Next	1,000 Gallons	0.01111	Per Gallon
Next	2,000 Gallons	0.01043	Per Gallon
Next	5,000 Gallons	0.00972	Per Gallon
Over	10,000 Gallons	0.00900	Per Gallon

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