

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF LARUE COUNTY)	2024-00277
WATER DISTRICT #1)	

ORDER

On August 24, 2024, Larue County Water District #1 (Larue District #1) 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 rates 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

Larue District #1 purchases water from Campbellsville Municipal Water and Sewer System (Campbellsville), Green-Taylor Water District (Green-Taylor District), Green River Valley Water District (Green River Valley District), the city of Bardstown (Bardstown), Hardin County Water District #2 (Hardin District #2) and the city of

Hodgenville (Hodgenville). Campbellsville notified Larue District #1 that its wholesale rate would increase from \$2.95 per 1,000 gallons to \$3.48 per 1,000 gallons, effective August 1, 2024.¹ Green-Taylor District notified Larue District #1 that its wholesale rate would increase from \$3.25 per 1,000 gallons to \$3.54 per 1,000 gallons, effective August 1, 2024.² Larue District #1 proposes to increase the water rates to its customers effective September 2, 2024, to reflect the increased cost of purchased water from Campbellsville and Green-Taylor District. Green River Valley District, Bardstown, Hardin District #2, and Hodgenville did not propose any rate adjustments.

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, Larue District #1 reported a water loss of 7.9431 percent.³ In its 2022 Annual Report filed with the Commission, Larue District #1 reported a water loss of 8.2056 percent.⁴ In its 2023 Annual Report filed with the Commission, Larue District #1 reported a water loss of 6.2059

¹ TFS2024-00287 (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.

² Case No. 2024-00247, *Electronic Purchased Water Adjustment Filing of Green-Taylor Water District* (Ky. PSC Aug. 23, 2024), final Order.

³ *Annual Report of Larue District #1 to the Public Service Commission for the Year Ended December 31, 2021* at 57.

⁴ *Annual Report of Larue District #1 to the Public Service Commission for the Year Ended December 31, 2022* at 57.

percent.⁵ Larue District #1's three-year water loss average is 7.4515%.⁶ The approximate cost of Larue District #1's total water loss using the three-year average is \$49,137.22.⁷

Financial Condition and Rates

Based on a review of Commission records, Larue District #1 last sought a general base rate adjustment in 2021.⁸ Larue District #1 most recent rate case required a revenue increase from rates of \$141,234 or 8.13 percent.⁹ Larue District #1 has filed four purchased water adjustment filings¹⁰ since its rate case closed in March of 2022.

On December 16, 2022, Larue District #1 completed the purchase of the City of New Haven's water system which added 591 customers to its service area.¹¹ Based upon a review of the annual and audit reports filed with the Commission from 2019 through 2023, Larue District #1's rate based income (adjusted net income minus principal payments) was negative in each of the year except in 2022 and cash based income (rate

⁵ *Annual Report of Larue District #1 to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁶ $7.9431\% (2021) + 8.2056\% (2022) + 6.2059\% (2023) = 22.3546 / 3 \text{ years} = 7.4515 \text{ percent.}$

⁷ Total water cost at new wholesale rate of \$659,427.28 times 7.4515% water loss equals \$49,137.22.

⁸ See Case No. 2021-00285, *Electronic Application of Larue County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 18, 2022).

⁹ Case No. 2021-00285, *Electronic Application of Larue County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 18, 2022), final Order.

¹⁰ Case No. 2022-00184, *Electronic Purchased Water Adjustment Filing of Larue County Water District No. 1* (Ky. PSC Jul. 1, 2022); Case No. 2022-00339, *Electronic Purchased Water Adjustment Filing of Larue County Water District No. 1* (Ky. PSC Nov. 7, 2022); Case No. 2023-00226, *Electronic Purchased Water Adjustment Filing of Larue County Water District No. 1* (Ky. PSC Jul. 28, 2023); and Case No. 2023-00365, *Electronic Purchased Water Adjustment Filing of Larue County Water District No. 1* (Ky. PSC Dec. 13, 2023).

¹¹ See Case No. 2022-00207, *Electronic Joint Application of Larue County Water District No. 1 and the City of New Haven for an Order Approving the Transfer of Ownership of the City of New Haven's Water System and Approving Larue County Water District No. 1's Assumption of Certain Debt Obligations of the City of New Haven Pursuant to the Provisions of KRS 278.020, KRS 278.300, and 807 KAR 5:001* (Ky. PSC Nov. 7, 2022).

based income plus depreciation) was positive in each year. The Commission recommends that Larue District's #1 monitor its financial performance annually and consider filing a rate adjustment application at least every three to five years.

Purchased Water Adjustment Factor

In its application, Larue District #1 proposed a purchased water adjustment factor of \$0.02 per 1,000 gallons. During the 12 months ended July 31, 2024, Larue District #1 purchased 5,579,900 gallons of water from Campbellsville, 3,731,833 gallons of water from Green-Taylor District, 82,176,000 gallons of water from Bardstown, 114,900 gallons of water from Hardin District #2, 102,211,800 gallons of water from Green River Valley District, and 45,376,303 gallons of water from Hodgenville, and sold 208,663,266 gallons of water to its customers. The increase in the cost of purchased water from Campbellsville and Green-Taylor District is \$4,039.58, resulting in a purchased water adjustment factor of \$0.02 per 1,000 gallons. No rate changes occurred from Bardstown, Hardin District #2, Green River Valley District and Hodgenville.

The purchased water adjustment factor of \$0.02 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 Larue District #1 on and after September 2, 2024, because the rates are supported by evidence of the increase in rates from Larue District #1's wholesale water suppliers 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 \$0.02 per 1,000 gallons is approved.

2. The rates proposed by Larue District #1 are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Larue District #1 on and after September 2, 2024.
4. Within 20 days of the date of service of this Order, Larue District #1 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



Commissioner



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00277 DATED SEP 23 2024

SUPPLIER	Base Rate	New Rate	Increase
<u>Campbellsville</u>			
Purchases	5,579,900	5,579,900	
Wholesale Rate	<u>\$2.95/1,000</u>	<u>\$3.48/1,000</u>	
	\$16,460.71	\$19,418.05	\$2,957.35
<u>Green Taylor District</u>			
Purchases	3,731,833	3,731,833	
Wholesale Rate	<u>\$3.25/1,000</u>	<u>\$3.54/1,000</u>	
	\$12,128.46	\$13,210.69	\$1,082.23
<u>Bardstown</u>			
Purchases	82,176,000	82,176,000	
Wholesale Rate	<u>\$2.72/1,000</u>	<u>\$2.72/1,000</u>	
	\$223,518.72	\$223,518.72	\$0.00
<u>Hardin District #2</u>			
Purchases	114,900	114,900	
Wholesale Rate	<u>\$2.89/1,000</u>	<u>\$2.89/1,000</u>	
	\$332.06	\$332.06	\$0.00
<u>Green River Valley District</u>			
Purchases	102,211,800	102,211,800	
Wholesale Rate	<u>\$3.01/1,000</u>	<u>\$3.01/1,000</u>	
	\$307,657.52	\$307,657.52	\$0.00
<u>Hodgenville</u>			
Purchases	45,376,303	45,376,303	
Wholesale Rate	<u>\$2.10/1,000</u>	<u>\$2.10/1,000</u>	
	\$95,290.24	\$95,290.24	\$0.00
Increased water cost			\$ 4,039.58
Increased water cost		\$4,039.58	
Divided by Gallons sold/1,000		<u>208,663,266</u>	
Purchased water adjustment factor		\$ 0.0194 per 1,000 Gallons	
		or \$ 0.00002 per Gallon	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00277 DATED SEP 23 2024

The following rates and charges are prescribed for the customers in the area served by LaRue County Water District #1. 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-Inch Meter

First	1,000 Gallons	\$18.88	Minimum Bill
Next	4,000 Gallons	0.00891	Per Gallon
Next	5,000 Gallons	0.00799	Per Gallon
Over	10,000 Gallons	0.00658	Per Gallon

3/4-Inch Meter

First	3,000 Gallons	\$36.65	Minimum Bill
Next	2,000 Gallons	0.00891	Per Gallon
Next	5,000 Gallons	0.00799	Per Gallon
Over	10,000 Gallons	0.00658	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$54.43	Minimum Bill
Next	5,000 Gallons	0.00799	Per Gallon
Over	10,000 Gallons	0.00658	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$94.29	Minimum Bill
Over	10,000 Gallons	0.00658	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$159.98	Minimum Bill
Over	20,000 Gallons	0.00658	Per Gallon

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