

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF BATH COUNTY)	2024-00177
WATER DISTRICT)	

ORDER

On June 6, 2024, Bath County Water District (Bath District) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. On June 10, 2024, the Commission notified Bath District that its application was rejected for certain filing deficiencies. On June 11, 2024, Bath District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of June 11, 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 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

Bath District purchases water from the city of Morehead Utility Plant Board (Morehead) and Mount Sterling Water and Sewer System (Mount Sterling). Morehead notified Bath District that both the Monthly Capital Cost of \$18,789.70 and the Meter and Billing Charges of \$10.00 per meter will be removed, to be replaced by an increase to the wholesale rate from \$1.626 per 1,000 gallons to \$2.284 per 1,000 gallons, effective July 1, 2024.¹ Mount Sterling notified Bath District that its wholesale rate would increase from \$3.40 per 1,000 gallons to \$3.67 per 1,000 gallons, effective August 1, 2023.² Bath District proposes to increase the water rates to its customers effective July 15, 2024, to reflect the increased cost of purchased water from Morehead and Mount Sterling.

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, Bath District reported a water loss of 12.1047 percent.³ In its 2022 Annual Report filed with the Commission, Bath District reported a water loss of 15.5428 percent.⁴ In its 2023 Annual Report filed

¹ TFS2024-00157 (Ky. PSC Apr. 4, 2024); Morehead submitted the tariff on April 4, 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 TFS2023-00297 (Ky. PSC Jun. 22, 2023); Mount Sterling submitted the tariff on June 22, 2023, and the tariff was accepted for filing by the Commission by letter dated July 31, 2023, with an effective date of August 1, 2023. This adjustment was not reflected in Bath District's alternative rate Case No. 2022-00404.

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

⁴ *Annual Report of Bath District to the Public Service Commission for the Year Ended December 31, 2022* at 57-58.

with the Commission, Bath District reported a water loss of 11.2640 percent.⁵ Bath District's three-year water loss average is 12.9705 percent.⁶ The approximate cost of Bath District's total water loss for the 12-month period ending April 30, 2024, is \$153,392.87.⁷

Financial Condition and Rates

Based on a review of Commission records, Bath District last sought a general base rate adjustment in Case No. 2022-00404.⁸ Bath District's rate increase in Case No. 2022-00404 was based on a 2021 test year, with an increase in revenue of \$83,999 or 3.65 percent.

As documented in annual and audit reports filed with the Commission, Bath District's financial performance eroded significantly from the 2021 test year to 2022 and 2023 and the amount of the approved rate increase in Case No. 2022-00404 is not sufficient to offset Bath District's cost increases since that time. This leads the Commission to conclude that Bath District should file an application for a general base rate adjustment or an alternative rate adjustment by June 30, 2025, using 2024 as the test year, to ensure that its revenue is sufficient to support adequate and reliable service. The table below presents a summary of Bath District's recent financial performance.

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

⁶ $12.1047 + 15.5428 + 11.2640 = 38.9115 / 3 \text{ years} = 12.9705 \text{ percent.}$

⁷ Total water cost at new wholesale rate of \$1,182,628.81 times 12.9705% water loss equals \$153,392.87.

⁸ See Case No. 2022-00404, *Electronic Application of Bath County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 28, 2023).

Description / Year	Audited 2019	Audited 2020	Audited 2021	Audited 2022	Annual Report 2023
<i>Adjusted Net Income</i>					
Net Income / (Loss) before Contributions	\$ (133,030)	\$ (371,311)	\$ (92,942)	\$ (196,458)	\$ 515,068
Other Non-recurring Items	0	0	0	(8,100)	(559,222)
Non-Cash Pension and OPEB Expense / (Income)	124,380	286,068	4,416	(4,553)	(132,433)
Adjusted Net Income / (Loss) before Contributions	\$ (8,650)	\$ (85,243)	\$ (88,526)	\$ (209,111)	\$ (176,587)
Subtract: Principal Payments ()	(46,000)	(45,509)	(61,246)	(47,984)	(48,225)
Rate Based Income	\$ (54,650)	\$ (130,752)	\$ (149,772)	\$ (257,095)	\$ (224,812)
Add: Depreciation Expense	344,483	354,248	371,853	381,504	385,880
Cash Basis Income	\$ 289,833	\$ 223,496	\$ 222,081	\$ 124,409	\$ 161,068
Cash Basis Income from Operations as Percent of Depreciation	84%	63%	60%	33%	42%
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 873,460	\$ 944,111	\$ 988,518	\$ 831,588	\$ 1,420,000
Restricted Funds (exclude construction funds from bond proceeds)	415,837	384,888	362,490	393,887	0
Adjusted Cash Balances	1,289,297	1,328,999	1,351,008	1,225,475	1,420,000
Net Increase (Decrease) in Cash	\$ (745,669)	\$ 39,702	\$ 22,009	\$ (125,533)	\$ 194,525
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	3,882	4,004	4,047	4,104	4,044
Gallons Purchased	456,322	439,409	481,699	523,935	517,018
Gallons Sold	397,803	384,332	410,542	425,125	439,153
Gallons Used for Internal Use	14,411	14,405	12,849	17,376	19,628
Water Loss Gallons	44,108	40,672	58,308	81,434	58,237
System Use Percentage	3.16%	3.28%	2.67%	3.32%	3.80%
Water Loss Percentage	9.67%	9.26%	12.10%	15.54%	11.26%
Per Cust Per Month Gallons	8,539	7,999	8,454	8,632	9,049
Revenue	\$ 2,118,700	\$ 2,090,784	\$ 2,236,573	\$ 2,339,650	\$ 2,327,172
Purchased Water Expense	941,891	919,928	1,001,951	1,170,329	1,128,362
Purchased Water Expense Over 15% Water Loss	0	0	0	6,352	0
Water Loss Expense Over 15% as Percentage of Total Revenue	0.00%	0.00%	0.00%	0.27%	0.00%

Purchased Water Adjustment Factor

In its application, Bath District proposed a purchased water adjustment factor of \$0.20 per 1,000 gallons. During the 12 months ended April 30, 2024, Bath District purchased 463,010,000 gallons of water from Morehead and 34,091,000 gallons of water from Mount Sterling and sold 448,638,000 gallons of water to its customers. The removal of the annualized Monthly Capitol Cost charge from Morehead of \$225,476.40, the annual increase in the cost of purchased water from Morehead of \$304,606.58 and the annual increase in the cost of purchased water from Mount Sterling of \$9,204.53, results in an overall increase of \$88,388.75 and an increase to the purchased water adjustment factor of \$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 as set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Bath District on and after July 15, 2024, because the rates are supported by evidence of the increase in rates from Bath 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 Bath District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Bath District on and after July 15, 2024.
4. Within 20 days of the date of service of this Order, Bath District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. On or before June 30, 2025, Bath District shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Bath District from this requirement.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

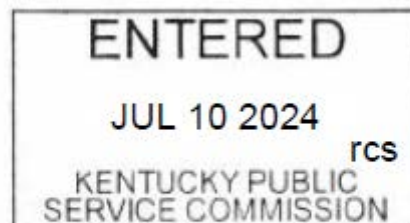
Chairman



Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00177 DATED JUL 10 2024

	Base Rate	New Rate	Change
<u>Morehead</u>			
Purchases in Gallons	463,010,000	463,010,000	
Rate per 1,000 Gallons	<u>\$1.626/1,000</u>	<u>\$2.284/1,000</u>	
Subtotal	\$752,854.26	\$1,057,514.84	\$304,660.58
Months	12	12	
Monthly Capital Cost	<u>18,789.70</u>	<u>0.00</u>	
Subtotal	\$225,476.40	\$0.00	(\$225,476.40)
<u>Mount Sterling</u>			
Purchases in Gallons	34,091,000	34,091,000	
Rate per 1,000 Gallons	<u>\$3.40/1,000</u>	<u>\$3.67/1,000</u>	
Sub-total	\$115,909.40	\$125,113.97	\$9,204.57
Total	\$1,094,240.06	\$1,182,628.81	
Increased water cost			\$88,388.75
Increased water cost		\$88,388.75	
Divided by Gallons sold/1,000		<u>448,638,000</u>	
Purchased water adjustment factor		\$0.1970	per 1,000 Gallons
		or \$ 0.00020	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00177 DATED JUL 10 2024

The following rates and charges are prescribed for the customers in the area served by Bath 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	\$17.94	Minimum Bill
Next	3,000 Gallons	0.00705	Per Gallon
Next	5,000 Gallons	0.00557	Per Gallon
Next	10,000 Gallons	0.00488	Per Gallon
Next	30,000 Gallons	0.00466	Per Gallon
Over	50,000 Gallons	0.00453	Per Gallon

1-Inch Meter

First	10,000 Gallons	\$66.94	Minimum Bill
Next	10,000 Gallons	0.00488	Per Gallon
Next	30,000 Gallons	0.00466	Per Gallon
Over	50,000 Gallons	0.00453	Per Gallon

2-Inch Meter

First	50,000 Gallons	\$255.50	Minimum Bill
Over	50,000 Gallons	0.00417	Per Gallon

Bulk Sales 0.00917 Per Gallon

Leak Adjustment Rate 0.00361 Per Gallon

Wholesale Rates

Sharpsburg Water District	0.00424	Per Gallon
City of Frenchburg	0.00377	Per Gallon
City of Owingsville	\$4,906.70	Minimum Bill
	0.00339	Per Gallon

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