

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF JUDY WATER)	2024-00296
ASSOCIATION, INC.)	

ORDER

On September 13, 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 September 16, 2024, Judy Water was notified that its application was rejected for certain filing deficiencies. On September 17, 2024, Judy Water submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of September 17, 2024.

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water association increases its rates, the water association has the authority to increase its rate commensurate with the wholesale supplier. The water association 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 Kentucky-American Water Company (Kentucky-American) and Mt. Sterling Water and Sewer System (Mt. Sterling). Kentucky-American notified Judy Water that its wholesale rate would increase from \$4.52 per 1,000 gallons for the first 2,000,000 gallons and \$4.62 per 1,000 gallons for over 2,000,000 gallons to \$4.6912 per 1,000 gallons, effective February 6, 2024.¹ Judy Water proposed to increase the water rates to its customers effective October 1, 2024, to reflect the increased cost of purchased water from Kentucky-American. A separate increase from Mt. Sterling in Case No. 2024-00258 was effective on September 10, 2024.² Mt. Sterling proposed no further increases in rates.

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, Judy Water reported a water loss of 15.3375 percent.⁴ In its 2023 Annual Report filed

¹ 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 28, 2024), Order at 7.

² Case No. 2024-00258, *Electronic Purchased Water Adjustment Filing of Judy Water Association, Inc.* (Ky. PSC Sept. 10, 2024).

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

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

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 3-year average is \$113,711.80.⁷

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, 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 income⁹ was positive for years 2019 through 2023. The Commission recommends Judy Water monitor its operating performance annually to determine whether a rate adjustment application should be submitted and that future rate cases be filed at least 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 \$0.05 per 1,000 gallons. During the 12 months ended August 31, 2024, Judy Water purchased 39,715,200 gallons of water from Kentucky-American at \$4.52 per 1,000

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

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

⁷ Total water cost at new wholesale rate of \$741,068.70 times 15.3443 percent water loss equals \$113,711.80.

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).

⁹ Rate-based income plus depreciation expense.

gallons, and 10,495,300 from Kentucky-American at \$4.62 per 1,000 gallons.¹⁰ Judy Water also purchased 132,335,393 gallons of water from Mt. Sterling and sold 157,964,882 gallons of water to its customers. The increase in the cost of purchased water from Kentucky-American is \$7,546.51, resulting in a purchased water adjustment factor of \$0.05 per 1,000 gallons. No rate changes occurred from Mt. Sterling.

The purchased water adjustment factor of \$0.05 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 October 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:

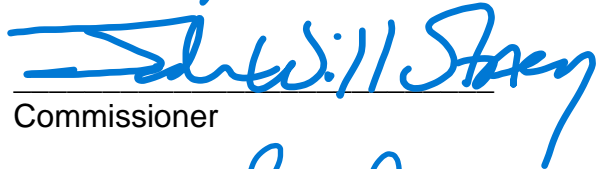
1. The purchased water adjustment factor of \$0.05 per 1,000 gallons is approved.
2. The rates proposed by Judy Water are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Judy Water on and after October 1, 2024.
4. Within 20 days of the date of 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.

¹⁰ Application, PWA_Form.pdf.

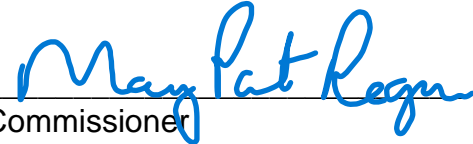
PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ENTERED
OCT 10 2024
rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00296 DATED OCT 10 2024

	Base Rate	New Rate	Change
<u>Kentucky-American</u>			
Purchases in Gallons	39,715,200	39,715,200	
Rate per 1,000 Gallons	<u>\$4.52/1,000</u>	<u>\$4.6912/1,000</u>	
Subtotal	\$179,512.70	\$186,311.95	\$6,799.25
<u>Kentucky-American</u>			
Purchases in Gallons	10,495,300	10,495,300	
Rate per 1,000 Gallons	<u>\$4.62/1,000</u>	<u>\$4.6912/1,000</u>	
Subtotal	\$48,488.29	\$49,235.55	\$747.26
<u>Mt. Sterling</u>			
Purchases in Gallons	132,335,393	132,335,393	
Rate per 1,000 Gallons	<u>\$3.82/1,000</u>	<u>\$3.82/1,000</u>	
Subtotal	\$505,521.20	\$505,521.20	\$0.00
Total	\$733,522.19	\$741,068.70	
Increased water cost			\$7,546.51
Increased water cost		\$7,546.51	
Divided by Gallons sold/1,000		157,964,882	
Purchased water adjustment factor		\$0.05	per 1,000 Gallons
		or \$ 0.00005	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00296 DATED OCT 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	\$16.64	Minimum Bill
Next	4,000 Gallons	0.01138	Per Gallon
Next	5,000 Gallons	0.01032	Per Gallon
Over	10,000 Gallons	0.00924	Per Gallon

*Judy Water Association, Inc.
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Mt. Sterling, KY 40353-0781

*Billy Ray Fawns
Judy Water Association, Inc.
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