

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NORTH SHELBY)	2025-00153
WATER COMPANY)	

ORDER

On June 2, 2025, North Shelby Water Company (North Shelby Water) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068.

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

North Shelby Water purchases water from Shelbyville Municipal Water & Sewer Commission (Shelbyville), Louisville Water Company (Louisville), Frankfort Electric and Water Plant Board (Frankfort), and, on an emergency basis only, West Shelby Water District (West Shelby District). Shelbyville notified North Shelby Water that its wholesale

rate would increase by \$0.06 per 1,000 gallons from \$2.47 per 1,000 gallons to \$2.53 per 1,000 gallons, effective June 19, 2025.¹ Louisville notified North Shelby Water that its wholesale rate would increase by \$0.07 per 1,000 gallons from \$2.72 per 1,000 gallons to 2.79 per 1,000 gallons,² and its monthly service charges would increase by \$6.72 from \$157.95 per 4-inch meter to \$164.67 per 4-inch meter, with both increases effective July 1, 2025.³ In light of the increase to Louisville's 4-inch meter monthly service charge, it is notable that North Shelby Water has a usage of four, 4-inch meters from Louisville.⁴ In response, North Shelby Water proposes to increase the water rates to its customers effective July 1, 2025, to reflect the increased cost of purchased water from Shelbyville and Louisville. Frankfort and West Shelby District did not propose any rate changes.

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 2024 Annual Report filed with the Commission, North Shelby Water reported a water loss of 11.2268 percent.⁵ In its 2023 Annual Report filed with the

¹ TFS2025-00237 (Ky. PSC May 13, 2025); Shelbyville submitted the tariff on May 13, 2025, and the tariff was accepted for filing by the Commission by letter dated June 11, 2025, with an effective date of June 19, 2025.

² Louisville Water's Commodity Rate is comprised of a Volume Charge increase of \$0.04 per 1,000 gallons, from \$2.19 per 1,000 gallons to \$2.23 per 1,000 gallons and an Elevated Service Area Charge increase of \$0.03 per 1,000 gallons, from \$0.53 per 1,000 gallons to \$0.56 per 1,000 gallons.

³ TFS2025-00141 (Ky. PSC March 28, 2025); Louisville Water submitted the tariff on March 28, 2025, and the tariff was accepted for filing by the Commission by letter dated June 18, 2025, with an effective date of July 1, 2025.

⁴ Application at 2.

⁵ *Annual Report of North Shelby Water to the Public Service Commission for the Year Ended December 31, 2024* at 57.

Commission, North Shelby Water reported a water loss of 11.2939 percent.⁶ In its 2022 Annual Report filed with the Commission, North Shelby Water reported a water loss of 14.4504 percent.⁷ North Shelby Water's three-year water loss average is 12.3237 percent.⁸

Financial Condition and Rates

Based on a review of Commission records, North Shelby Water last sought a rate adjustment, filed pursuant to the alternative rate adjustment procedures, in Case No. 2022-00317,⁹ which resulted in an increase to North Shelby Water's rates of \$74,956 or 2.18 percent. Based upon a review of the annual and audit reports filed with the Commission, North Shelby Water's rate based income, or adjusted net income minus principal payments, was negative from 2020 through 2022 and was positive for 2023 and 2024. North Shelby Water's cash based income, or rate based income plus depreciation, was positive in all five years. A chart summarizing rate based and cash based income is presented below.

⁶ *Annual Report of North Shelby Water to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁷ *Annual Report of North Shelby Water to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁸ $11.2268\% (2024) + 11.2939\% (2023) + 14.4504\% (2022) = 36.9711 / 3 \text{ years} = 12.3237\%$.

⁹ Case No. 2022-00317, *Electronic Application of North Shelby Water Company for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 15, 2023), final Order.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Annual Report 2024
Net Income / (Loss) before Contributions	\$ (112,946)	\$ (24,064)	\$ (32,059)	\$ 298,822	\$ 503,035
Other Non-recurring Items ()	0	(35,445)	0	(23,373)	(34,133)
Non-Cash Pension and OPEB Expense / (Income)	158,272	129,045	78,042	(21,537)	(275,875)
Adjusted Net Income / (Loss) before Contributions	\$ 45,326	\$ 69,536	\$ 45,983	\$ 253,912	\$ 193,027
Subtract: Principal Payments ()	(179,697)	(161,754)	(166,761)	(171,936)	(177,288)
Rate Based Income	\$ (134,371)	\$ (92,218)	\$ (120,778)	\$ 81,976	\$ 15,739
Add: Depreciation Expense	705,943	747,182	763,204	754,312	754,312
Cash Basis Income	\$ 571,572	\$ 654,964	\$ 642,426	\$ 836,288	\$ 770,051
Cash Basis as Percent of Depreciation	81%	88%	84%	111%	102%
Capital Spending	\$ 1,004,842	\$ 786,975	\$ 578,363	\$ 1,914,643	\$ 98,566
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 2,968,304	\$ 2,978,948	\$ 3,170,759	\$ 1,722,920	\$ 1,782,924
Restricted Funds	1,302,384	1,264,851	1,313,338	1,369,859	1,447,065
Adjusted Cash Balances	4,270,688	4,243,799	4,484,097	3,092,779	3,229,989
Net Increase (Decrease) in Cash	\$ (196,549)	\$ (26,889)	\$ 240,298	\$ (1,391,318)	\$ 137,210
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	5,338	5,398	5,454	5,485	5,512
Gallons Purchased	482,639	529,992	555,667	553,900	537,472
Gallons Sold	435,063	427,170	447,838	474,975	452,448
Gallons Used for Internal Use	18,795	14,397	27,533	24,257	24,683
Water Loss Gallons	28,781	88,425	80,296	54,668	60,341
System Use Percentage	3.8942%	2.7165%	4.9549%	4.3793%	4.5924%
Water Loss Percentage	5.9633%	16.6842%	14.4504%	9.8697%	11.2268%
Gallons Sold Per Customer Per Month	6,792	6,595	6,843	7,216	6,840
Revenue	3,231,525	3,411,881	3,544,355	3,714,583	\$ 3,761,649
Purchased Water Expense	1,247,865	1,262,161	1,386,724	1,481,230	1,447,580
Purchased Water Expense Over 15% Water Loss	0	21,257	0	0	0
Water Loss Expense Over 15% as Percentage of Total Revenue	0.00%	0.62%	0.00%	0.00%	0.00%

The Commission recommends North Shelby Water continue to monitor its operating performance annually and consider filing future rate cases at least every three to five years, depending on operating performance, to ensure that its revenue is sufficient to support adequate and reliable service.

Purchased Water Adjustment Factor

In its application, North Shelby Water proposed a purchased water adjustment factor of \$0.08 per 1,000 gallons. During the 12 months ended April 30, 2025, North Shelby Water purchased 131,191,600 gallons of water from Shelbyville, 342,480,000 gallons of water from Louisville, 84,693,580 gallons of water from Frankfort and zero

gallons of water from West Shelby District. North Shelby Water has a usage of four, 4-inch, meters from Louisville, equating to an additional increase of \$26.88 per month.¹⁰ North Shelby Water sold 454,483,700 gallons of water to its customers. The increase in the cost of purchased water from Shelbyville and Louisville is \$32,167.66, resulting in a purchased water adjustment factor of \$0.08 per 1,000 gallons. No rate changes occurred from Frankfort or West Shelby District.

The purchased water adjustment factor of \$0.08 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 North Shelby Water on and after July 1, 2025, because the rates are supported by evidence of the increase in rates from North Shelby 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 \$0.08 per 1,000 gallons is approved.
2. The rates proposed by North Shelby Water are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North Shelby Water on and after July 1, 2025.
4. Within 20 days of the date of service of this Order, North Shelby 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 at 2.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

Mary Pat Regan

ATTEST:

Linda Bridwell RP
Executive Director



Case No. 2025-00153

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00153 DATED JUL 1 2025

	Base Rate	New Rate	Change
<u>Shelbyville</u>			
Purchases in Gallons	131,191,600	131,191,600	
Rate per 1,000 Gallons	<u>\$2.47/1,000</u>	<u>\$2.53/1,000</u>	
Subtotal	\$324,043.25	\$331,914.75	\$7,871.50
<u>Louisville Water</u>			
Purchases in Gallons	342,480,000	342,480,000	
Rate per 1,000 Gallons	<u>\$2.72/1,000</u>	<u>\$2.79/1,000</u>	
Sub-total	\$931,545.60	\$955,519.20	\$23,973.60
Months	12	12	
4-inch meter charge	157.95	164.67	
4 meters	<u>\$631.80</u>	<u>\$658.68</u>	
Subtotal	\$7,581.60	\$7,904.16	\$322.56
<u>Frankfort</u>			
Purchases in Gallons	84,693,580	84,693,580	
Rate per 1,000 Gallons	<u>\$2.84/1,000</u>	<u>\$2.84/1,000</u>	
Sub-total	\$240,529.77	\$240,529.77	\$0.00
Total	\$1,503,700.22	\$1,535,867.88	
Increased water cost			\$32,167.66
Increased water cost		\$32,167.66	
Divided by Gallons sold/1,000		<u>454,483,700</u>	
Purchased water adjustment factor		\$0.0708	per 1,000 Gallons
		or \$ 0.00008	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00153 DATED JUL 1 2025

The following rates and charges are prescribed for the customers in the area served by North Shelby Water Company. 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	\$24.03	Minimum Bill
Next	3,000 Gallons	0.00823	Per Gallon
Next	5,000 Gallons	0.00681	Per Gallon
Next	40,000 Gallons	0.00612	Per Gallon
Over	50,000 Gallons	0.00542	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$48.72	Minimum Bill
Next	5,000 Gallons	0.00681	Per Gallon
Next	40,000 Gallons	0.00612	Per Gallon
Over	50,000 Gallons	0.00542	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$82.82	Minimum Bill
Next	40,000 Gallons	0.00612	Per Gallon
Over	50,000 Gallons	0.00542	Per Gallon

2-Inch Meter

First	15,000 Gallons	\$113.42	Minimum Bill
Next	35,000 Gallons	0.00612	Per Gallon
Over	50,000 Gallons	0.00542	Per Gallon

3-Inch Meter

First	35,000 Gallons	\$235.82	Minimum Bill
Next	15,000 Gallons	0.00612	Per Gallon
Over	50,000 Gallons	0.00542	Per Gallon

*James L Mudd Jr.
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, KY 40342

*North Shelby Water Company
4596 Bagdad Road
P. O. Box 97
Bagdad, KY 40003