

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF WEST SHELBY)	2025-00170
WATER DISTRICT)	

ORDER

On June 3, 2025, West Shelby Water District (West Shelby District) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment (PWA) procedure set forth in KRS 278.015 and 807 KAR 5:068. On June 4, 2025, the Commission notified West Shelby District that its application was rejected for certain filing deficiencies. On July 10, 2025, West Shelby District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of July 10, 2025.

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

West Shelby District purchases water from Louisville Water Company (Louisville Water) and Shelbyville Municipal Water & Sewer Commission (Shelbyville). Louisville Water notified West Shelby District that its wholesale rate would increase by \$0.07 per 1,000 gallons from \$2.72 to \$2.79,¹ and its monthly service charge would increase by a total of \$26.30, from \$618.65 to \$644.95,² effective July 1, 2025.³

Shelbyville has two Master Meter locations, Finchville Master Meter (Finchville Meter) and Shelbyville Master Meter (Shelbyville Meter). Shelbyville notified West Shelby District that its wholesale rate for the Shelbyville Meter's Minimum Bill (First 1,000 Gallons) would increase by \$43.65, from \$161.04 to \$204.69, and that the volumetric rate would increase by \$0.06 per 1,000 gallons from \$2.47 to \$2.53, effective June 19, 2025.⁴

West Shelby District proposes to increase the water rates to its customers effective July 15, 2025, to reflect the increased cost of purchased water from Louisville Water and Shelbyville.

On July 10, 2025, West Shelby District submitted a revised application, Exhibit A, and a revised customer notice, Exhibit F, with an updated PWA factor applied to correct

¹ 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.

² Monthly Service Charge (per Meter): \$3.92 increase from \$92.14 to \$96.06 for a 3-inch meter; \$6.72 increase from \$157.95 to \$164.67 for a 4-inch meter; and \$15.66 increase from \$368.56 to \$384.22 for a 6-inch meter.

³ TFS2025-00142 (Ky. PSC Mar. 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 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.

a calculation error in its original application. While the revised application corrected the calculation error, West Shelby District did not update the calculations, Exhibit E, to show the change in its PWA factor. Appendix A to this Order correctly shows the calculations leading to the proposed PWA factor.

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 2022 Annual Report filed with the Commission, West Shelby District reported a water loss of 11.2106 percent.⁵ In its 2023 Annual Report filed with the Commission, West Shelby District reported a water loss of 9.0839 percent.⁶ In its 2024 Annual Report filed with the Commission, West Shelby District reported a water loss of 8.4301 percent.⁷ West Shelby District's three-year water loss average is 9.5749 percent.⁸ The cost of West Shelby District's total water loss using a three-year average is \$94,948.72.⁹

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The

⁵ *Annual Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2022* at 58.

⁶ *Annual Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2023* at 58.

⁷ *Annual Report of West Shelby District to the Public Service Commission for the Year Ended December 31, 2024* at 58.

⁸ $11.2106\% + 9.0839\% + 8.4301\% = 28.7246 / 3 \text{ years} = 9.5749 \text{ percent.}$

⁹ Total water cost at new wholesale rate of \$991,641.92 times 9.5749% water loss equals \$94,948.72.

Commission recognizes that West Shelby District's water loss is below 15 percent and encourages the district to continue to pursue reasonable actions to maintain a low percentage of unaccounted-for water loss.

Financial Condition and Rates

A financial snapshot of West Shelby District's most recent five-year period is present in the table below. Based on a review of Commission records, West Shelby District last sought alternative rate adjustment in Case No. 2021-00241¹⁰ (2020 test year), which became final on February 24, 2022 and reflected an increase of \$162,049 or 10.09 percent. West Shelby District's only other rate increases have occurred through the filing of purchased water adjustment cases.

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 financing cases to increase rates.¹¹ 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.¹²

Based upon a review of the annual and audit reports filed with the Commission, West Shelby District's rate based income (adjusted net income minus principal payments) was negative from 2020 through 2021 but was positive from 2022 through 2024. Cash basis income (rate based income plus depreciation expense) averaged 111.886 percent

¹⁰ See Case No. 2021-00241, *Electronic Application of West Shelby Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Feb. 24, 2022).

¹¹ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

¹² See Case No. 2019-00041, Nov. 22, 2019 final Order.

of depreciation for the five-year period. West Shelby District has filed PWA applications in each of the years. Water loss percentage averaged 10.40 percent over the five years and was below 15 percent in all years.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss) before Contributions	\$ (429,173)	\$ (47,436)	\$ 79,133	\$ 303,512	\$ 280,989
Other Non-recurring Items	806	1,825	1,822	0	0
Non-Cash Pension and OPEB Expense / (Income)	90,069	25,145	3,665	(76,883)	(71,709)
Adjusted Net Income / (Loss) before Contributions	\$ (338,298)	\$ (20,466)	\$ 84,620	\$ 226,629	\$ 209,280
Subtract: Principal Payments ()	(54,000)	(80,000)	(40,000)	(51,000)	(23,000)
Rate Based Income	\$ (392,298)	\$ (100,466)	\$ 44,620	\$ 175,629	\$ 186,280
Add: Depreciation Expense	560,711	210,093	213,824	216,494	248,002
Cash Basis Income	\$ 168,413	\$ 109,627	\$ 258,444	\$ 392,123	\$ 434,282
Cash Basis Income from Operations as Percent of Depreciation	30%	52%	121%	181%	175%
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 1,623,032	\$ 1,649,644	\$ 1,728,148	\$ 1,934,023	\$ 2,141,950
Restricted Funds (exclude bond construction funds)	1,041,421	1,594,892	2,717,035	1,558,094	1,498,530
Construction Funds ()	(182,273)	(713,097)	(1,744,123)	(659,105)	658,078
Adjusted Cash Balances	2,482,180	2,531,439	2,701,060	2,833,012	4,298,558
Net Increase (Decrease) in Cash	\$ 166,332	\$ 49,259	\$ 169,621	\$ 131,952	\$ 1,465,546
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	2,376	2,733	2,959	2,777	2,800
Gallons Purchased	301,471	312,758	306,612	328,792	355,832
Gallons Sold	272,875	268,837	271,385	294,377	320,503
Gallons Used for Internal Use	171	630	854	4,548	5,332
Water Loss Gallons	28,425	43,291	34,373	29,867	29,997
System Use Percentage	0.0567%	0.2014%	0.2785%	1.3832%	1.4985%
Water Loss Percentage	9.4288%	13.8417%	11.2106%	9.0839%	8.4301%
Gallons Sold Per Customer Per Month	9,571	8,197	7,643	8,834	9,539
Revenues from Sale of Water	\$ 1,658,769	\$ 1,647,747	\$ 1,860,487	\$ 2,013,132	\$ 2,230,390
Purchased Water Expense	741,625	791,546	767,013	849,940	849,941
Purchased Water Expense Over 15% Water Loss	0	0	0	0	0
Water Loss Expense Over 15% as Percentage of Total Revenue	0.00%	0.00%	0.00%	0.00%	0.00%

Purchased Water Adjustment Factor

In its application, West Shelby District proposed a purchase water adjustment factor of \$0.08 per 1,000 gallons.¹³ During the 12 months ended April 30, 2025, West Shelby District purchased 271,219,000 gallons of water from Louisville Water, 79,524,000 gallons of water from Shelbyville at the Shelbyville Meter, and 6,522,000 gallons of water from Shelbyville at the Finchville Meter. West Shelby District sold 329,365,820 gallons

¹³ Revised PWA Application (filed Jul. 10, 2025), Exhibit_A_PWA.pdf.

of water to its customers. The increase in the cost of purchased water from Louisville Water and Shelbyville is \$24,115.96, resulting in a purchased water adjustment factor of \$0.08 per 1,000 gallons.

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 West Shelby District on and after July 15, 2025, because the rates are supported by evidence of the increase in rates from West Shelby 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 \$0.08 per 1,000 gallons is approved.
2. The rates proposed by West Shelby District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by West Shelby District on and after July 15, 2025.
4. Within 20 days of the date of service of this Order, West Shelby 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

ATTEST:



Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00170 DATED AUG 07 2025

	Base Rate	New Rate	Change
<u>Louisville Water Company</u>			
Purchases in Gallons	271,219,000	271,219,000	
Rate per 1,000 Gallons	<u>\$2.72/1,000</u>	<u>\$2.79/1,000</u>	
Subtotal	\$737,715.68	\$756,701.01	\$18,985.33
<u>Louisville (Monthly Charges)</u>			
Months	12	12	
Monthly Service Charge	<u>\$618.65</u>	<u>\$644.95</u>	
Subtotal	\$7,423.80	\$7,739.40	\$315.60
<u>Shelbyville Meter</u>			
Purchases in Gallons	79,523,020	79,523,020	
Rate per 1,000 Gallons	<u>\$2.56/1,000</u>	<u>\$2.62/1,000</u>	
Subtotal	\$203,578.93	\$208,350.31	\$4,771.38
Minimum Bill	\$161.04	\$204.69	\$43.65
-First 1,000 Gallons			
<u>Finchville Meter</u>			
Purchases in Gallons	6,522,000	6,522,000	
Rate per 1,000 Gallons	<u>\$2.82/1,000</u>	<u>\$2.82/1,000</u>	
Subtotal	\$18,392.04	\$18,392.04	\$0.00
Total Water Cost	\$967,271.49	\$991,387.45	
Increased water cost			\$24,115.96
Increased water cost		\$24,115.96	
Divided by Gallons sold/1,000		<u>329,365,820</u>	
Purchased water adjustment factor		\$0.0733	per 1,000 Gallons
		or	
		\$0.00008	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00170 DATED AUG 07 2025

The following rates and charges are prescribed for the customers in the area served by West Shelby 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	2,500 Gallons	21.17	Minimum Bill
Next	7,500 Gallons	0.00644	Per Gallon
Next	20,000 Gallons	0.00609	Per Gallon
Next	200,000 Gallons	0.00564	Per Gallon
Over	230,000 Gallons	0.00519	Per Gallon

3/4-Inch Meter

First	3,500 Gallons	27.60	Minimum Bill
Next	6,500 Gallons	0.00644	Per Gallon
Next	20,000 Gallons	0.00609	Per Gallon
Next	200,000 Gallons	0.00564	Per Gallon
Over	230,000 Gallons	0.00519	Per Gallon

1-Inch Meter

First	5,000 Gallons	37.23	Minimum Bill
Next	5,000 Gallons	0.00644	Per Gallon
Next	20,000 Gallons	0.00609	Per Gallon
Next	200,000 Gallons	0.00564	Per Gallon
Over	230,000 Gallons	0.00519	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	69.42	Minimum Bill
Next	20,000 Gallons	0.00609	Per Gallon
Next	200,000 Gallons	0.00564	Per Gallon
Over	230,000 Gallons	0.00519	Per Gallon

2-Inch Meter

First	16,000 Gallons	105.93	Minimum Bill
Next	14,000 Gallons	0.00609	Per Gallon
Next	200,000 Gallons	0.00564	Per Gallon
Over	230,000 Gallons	0.00519	Per Gallon

3-Inch Meter

First	30,000 Gallons	191.14	Minimum Bill
Next	200,000 Gallons	0.00564	Per Gallon
Over	230,000 Gallons	0.00519	Per Gallon

4-Inch Meter

First	50,000 Gallons	303.83	Minimum Bill
Next	180,000 Gallons	0.00564	Per Gallon
Over	230,000 Gallons	0.00519	Per Gallon

6-Inch Meter

First	100,000 Gallons	585.55	Minimum Bill
Next	130,000 Gallons	0.00564	Per Gallon
Over	230,000 Gallons	0.00519	Per Gallon

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