

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF WESTERN)	2025-00144
ROCKCASTLE WATER ASSOCIATION, INC.)	

ORDER

On May 14, 2025, Western Rockcastle Water Association, Inc. (Western Rockcastle 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. On May 19, 2025, Western Rockcastle Water submitted an amended application for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068. Western Rockcastle Water's application was accepted for filing on May 19, 2025.

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

Western Rockcastle Water purchases water from the city of Mt. Vernon (Mt. Vernon), Southern Madison Water District (Southern Madison District) and the city of Brodhead (Brodhead). Mt. Vernon notified Western Rockcastle Water that its wholesale rate would increase from \$2.93 per 1,000 gallons to \$3.40 per 1,000 gallons, effective December 13, 2024.¹ Western Rockcastle Water proposes to increase the water rates to its customers effective June 16, 2025, to reflect the increased cost of purchased water from Mt. Vernon. In its application, Western Rockcastle Water miscalculated the purchased water adjustment factor with a rounding error. The corrected calculation in Appendix A rounds the purchased water adjustment factor up, so that the supplier rate increase pass through will be fully equalized and not create a deficit for Western Rockcastle Water. Southern Madison District and Brodhead did not have 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 2021 Annual Report filed with the Commission, Western Rockcastle Water reported a water loss of 29.0914 percent.² In its 2022 Annual Report filed with the

¹ Case No. 2024-00217, *Electronic Tariff Filing of the City of Mt. Vernon to Increase its Wholesale Water Rates to Western Rockcastle Water Association, Inc. and Kentucky-American Water Company* (Ky. PSC Dec. 13, 2024), final Order and TFS2024-00581 (Ky. PSC Dec. 23, 2024); Mt. Vernon submitted the tariff on December 23, 2024, and the tariff was accepted for filing by the Commission by letter dated January 21, 2025, with an effective date of December 13, 2025.

² *Annual Report of Western Rockcastle Water to the Public Service Commission for the Year Ended December 31, 2021* at 57.

Commission, Western Rockcastle Water reported a water loss of 21.67 percent.³ In its 2023 Annual Report filed with the Commission, Western Rockcastle Water reported a water loss of 16.7989 percent.⁴ Western Rockcastle Water's three-year water loss average is 22.5201 percent.⁵ The approximate cost of Western Rockcastle Water's total water loss using a three-year average is \$250,314.60.⁶

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission encourages Western Rockcastle Water to continue to pursue reasonable actions to reduce its unaccounted-for water loss. .

Financial Condition and Rates

Based on a review of Commission records, Western Rockcastle Water recently filed for a general base rate adjustment pursuant to 807 KAR 5:076 on February 3, 2025.⁷ This filing followed the Commission's Order in Case No. 2023-00334, which required Western Rockcastle Water to file an application for an adjustment of its base rates.⁸

³ Case No. 2025-00001, *Electronic Application of Western Rockcastle Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (filed May 14, 2025), Western Rockcastle Water's Revised Responses to Commission Staff's Second Request for Information (Staff's Second Request), Item 1, 3_WRWA_Rate_Model_Revised.xlsx, Excess Water Loss Tab, Cell H32.

⁴ Case No. 2025-00001, Western Rockcastle Water's Revised Responses to Staff's Second Request, Item 1, 3_WRWA_Rate_Model_Revised.xlsx, Excess Water Loss Tab, Cell H32.

⁵ $29.0914\% (2021) + 21.67\% (2022) + 16.7989\% (2023) = 67.5603 / 3 \text{ years} = 22.5201\%$.

⁶ Total water cost at new wholesale rate of \$1,111,516.38 times 22.5201% water loss equals \$250,314.60.

⁷ Case No. 2025-00001, (filed Feb. 3, 2025), Application.

⁸ Case No. 2023-00334, *Electronic Application of Western Rockcastle Water Association, Inc. for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Nov. 22, 2023) final Order at 9, ordering paragraph 14.

Because of the pending case, a financial review of the utility was not undertaken as part of this case. A complete financial review by Commission Staff will be undertaken in the pending rate adjustment proceeding.⁹ As noted in the final Order in case 2023-00334, the Commission has no record of a prior base rate increase pursuant to the alternative rate filing procedure. Western Rockcastle Water's only rate increases have occurred through a purchased water adjustment or as a condition for federal financing of a construction project in accordance with KRS 278.023.¹⁰

Purchased Water Adjustment Factor

In its application, Western Rockcastle Water proposed a purchased water adjustment factor of \$0.56 per 1,000 gallons. During the 12 months ended March 31, 2025, Western Rockcastle Water purchased 309,452,100 gallons of water from Mt. Vernon, 7,837,700 gallons of water from Southern Madison District, and 7,907,534 gallons of water from Brodhead. Western Rockcastle Water sold 259,279,400 gallons of water to its customers. The increase in the cost of purchased water from Mt. Vernon is \$145,442.49, resulting in a purchased water adjustment factor of \$0.57 per 1,000 gallons. No rate changes occurred from Southern Madison District or Brodhead.

The purchased water adjustment factor of \$0.57 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 Western Rockcastle

⁹ Case No. 2025-00001, Feb. 3, 2025 Application.

¹⁰ Case No. 2023-00334, Nov. 22, 2023 Order; Case No. 2014-00007, *Application of Western Rockcastle Water Association, Inc. for a Certificate of Public Convenience and Necessity to Construct and Finance a Project Pursuant to the Provisions of KRS 278.023* (Ky. PSC Jan. 22, 2014); and Case No. 2012-00368, *Purchased Water Adjustment Filing of Western Rockcastle Water Association, Inc.* (Ky. PSC Sept. 14, 2012).

Water on and after June 16, 2025, because the rates are supported by evidence of the increase in rates from Western Rockcastle 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 \$0.57 per 1,000 gallons is approved.
2. The rates proposed by Western Rockcastle Water are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Western Rockcastle Water on and after June 16, 2025.
4. Within 20 days of the date of service of this Order, Western Rockcastle 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.

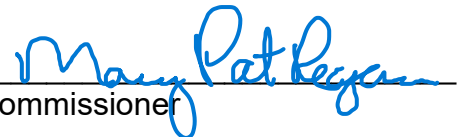
PUBLIC SERVICE COMMISSION

Chairman



Vice Chairman

Commissioner



ATTEST:


Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00144 DATED JUN 10 2025

	Base Rate	New Rate	Change
<u>Mt. Vernon</u>			
Purchases in Gallons	309,452,100	309,452,100	
Rate per 1,000 Gallons	<u>\$2.93/1,000</u>	<u>\$3.40/1,000</u>	
Subtotal	\$906,694.65	\$1,052,137.14	\$145,442.49
 <u>Southern Madison District</u>			
Purchases in Gallons	7,837,700	7,837,700	
Rate per 1,000 Gallons	<u>\$2.20/1,000</u>	<u>\$2.20/1,000</u>	
Sub-total	\$36,210.17	\$36,210.17	no change
 <u>Brodhead</u>			
Purchases in Gallons	7,907,534	7,907,534	
Rate per 1,000 Gallons	<u>\$2.98/1,000</u>	<u>\$2.98/1,000</u>	
Sub-total	\$23,169.07	\$23,169.07	no change
 Total Cost	 \$966,073.89	 \$1,111,516.38	
Increased water cost		\$145,442.49	
Divided by Gallons sold/1,000		<u>259,279,400</u>	
Purchased water adjustment factor		\$0.56095	per 1,000 Gallons
		or \$ 0.00057	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00144 DATED JUN 10 2025

The following rates and charges are prescribed for the customers in the area served by Western Rockcastle 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

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$30.08	Minimum Bill
Next	3,000 Gallons	0.00884	Per Gallon
Next	5,000 Gallons	0.00820	Per Gallon
Next	15,000 Gallons	0.00755	Per Gallon
Over	25,000 Gallons	0.00694	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$50.10	Minimum Bill
Next	5,000 Gallons	0.00820	Per Gallon
Next	15,000 Gallons	0.00755	Per Gallon
Over	25,000 Gallons	0.00694	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$90.35	Minimum Bill
Next	15,000 Gallons	0.00755	Per Gallon
Over	25,000 Gallons	0.00694	Per Gallon

2-Inch Meter

First	25,000 Gallons	\$201.35	Minimum Bill
Over	25,000 Gallons	0.00694	Per Gallon

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