

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF) CASE NO.
MONTGOMERY COUNTY WATER DISTRICT #1) 2018-00200

ORDER

On June 15, 2018, Montgomery County Water District #1 (“Montgomery County”) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2016 Annual Report Montgomery County reported a water loss of 12.6588 percent.² Montgomery County’s application provides updated purchase and sales information for a more current period than the 2016 Annual Report. Commission regulation 807 KAR 5:066(6)(3) states that for rate making purposes a utility’s unaccounted-for water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2016 Annual Report,³ Montgomery County’s unaccounted-for water loss

¹ KRS 278.015; 807 KAR 5:068.

² 2016 Annual Report at 56.

³ 2016 Annual Report, Water Statistics (Ref Page: 30), line 21, divided by line 4, (3,390 divided by 42,911) equals 7.90 percent.

is determined to be 16.94 percent for the updated period.⁴ Reduction of Montgomery County's unaccounted-for water loss to 15 percent would result in an approximate \$2,687.13⁵ decrease to purchased water expense. Potentially, Montgomery County is paying approximately \$0.08 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent⁶ threshold.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Montgomery County to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Montgomery County to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Montgomery County purchases water from the Mount Sterling Water and Sewer System ("Mount Sterling").
2. Mount Sterling notified Montgomery County that its wholesale volumetric water rate would increase from \$3.02 per 1,000 gallons to \$3.11 per 1,000 gallons

⁴ Total Purchases (application PWA Form 1 at 2)	44,487,976
Less Total Sales (application PWA Form 1 at 2)	33,436,170
Less plant use (% determined from 2016 Annual Report)	<u>3,514,582</u>
Water loss - gallons	7,537,224
Water loss - percent	16.94

⁵ Water loss above 15 percent is 1.94 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$2,687.13

⁶ Potential purchased water expense reduction divided by sales (\$2,687.13/(33,436,170/1,000) equals \$0.08/1,000.

effective July 1, 2018.⁷ Montgomery County proposes to increase the water rates to its customers effective July 1, 2018, to reflect the increased cost of purchased water from Mount Sterling.

3. Montgomery County proposed a purchased water adjustment factor of \$0.12 per 1,000 gallons in its application.

4. During the 12 months ended April 30, 2018, Montgomery County purchased 44,487,976 gallons of water from Mount Sterling. During the same period, Montgomery County sold 33,436,170 gallons of water. The increase in the cost of purchased water is \$4,003.92, resulting in a purchased water adjustment factor of \$0.12 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.12 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable, and should be approved.

6. Montgomery County's proposed rates should be approved.

7. 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 Montgomery County on and after July 1, 2018.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.12 per 1,000 gallons is approved.

2. The rates proposed by Montgomery County are approved.

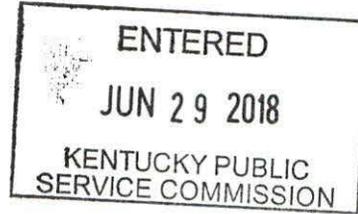
⁷ TFS 2018-00250 (Ky. PSC filed May 24, 2018); the tariff was accepted for filing by the Commission by letter dated June 15, 2018.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Montgomery County on and after July 1, 2018.

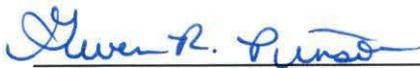
4. Within 20 days of the date of entry of this Order, Montgomery County shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

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By the Commission



ATTEST:



Executive Director

Case No. 2018-00200

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00200 DATED **JUN 29 2018**

	New Rate	Base Rate
Mount Sterling		
Purchases in Gallons	44,487,976	44,487,976
Wholesale rate	<u>\$ 3.11/1,000</u>	<u>\$ 3.02/1,000</u>
Total	\$138,357.61	\$134,353.69
Increased water cost		\$ 4,003.92
Increased water cost		\$ 4,003.92
Divided by Gallons sold/1,000		<u>33,436,170</u>
Purchased water adjustment factor		\$ 0.1197 per 1,000 Gallons
		or \$ 0.12 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00200 DATED **JUN 29 2018**

The following rates and charges are prescribed for the customers in the area served by Montgomery County Water District #1. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First	2,000 Gallons	\$ 23.49 Minimum Bill
Next	3,000 Gallons	7.60 per 1,000 Gallons
Next	5,000 Gallons	6.88 per 1,000 Gallons
Over	10,000 Gallons	6.16 per 1,000 Gallons
Wholesale Customer		\$ 3.41 per 1,000 Gallons

*Montgomery County Water District #1
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