

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|------------|
| PURCHASED WATER ADJUSTMENT FILING OF |) | CASE NO. |
| MORGAN COUNTY WATER DISTRICT |) | 2018-00301 |

ORDER

On August 31, 2018, Morgan County Water District (Morgan District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹ By letter dated September 7, 2018, the Commission notified Morgan District that its application was rejected because it contained certain filing deficiencies. On October 16, 2018, Morgan District submitted additional information to correct the filing deficiencies, and the application was accepted for filing as of that date.

The Commission notes that in its 2017 Annual Report, Morgan District reported a water loss of 38.0388 percent.² Morgan District's application provides updated purchase and sales information for a more current period than the 2017 Annual Report. Commission regulation 807 KAR 5:066(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. Based upon the updated information in the application and the percentage of other water consumed by

¹ KRS 278.012; 807 KAR 5:068.

² 2017 Annual Report at 56.

the utility in its 2017 Annual Report,³ Morgan District's unaccounted-for water loss is determined to be 40.1523 percent for the updated period.⁴ Reduction of Morgan District's unaccounted-for water loss to 15 percent would result in an approximate \$71,997.30⁵ decrease to purchased water expense. Potentially, Morgan District is paying approximately \$0.64 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 Morgan District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Morgan District 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 otherwise sufficiently advised, finds that:

1. Morgan District purchases water from the city of West Liberty (West Liberty) and the Cave Run Water Commission (Cave Run).

³ 2017 Annual Report, Water Statistics, line 21, divided by line 4, (43,164 divided by 248,089) equals 17.40 percent.

| | |
|--|-------------------|
| ⁴ Total Purchases (application PWA Form 1 at 2) | 264,063,000 |
| Less Total Sales (application PWA Form 1 at 2) | 112,092,510 |
| Less plant use (% determined from 2016 Annual Report) | <u>45,943,252</u> |
| Water loss - gallons | 106,027,238 |
| Water loss - percent | 21.1380 |

⁵ Water loss above 15 percent is 25.1523 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$71,997.30.

⁶ Potential purchased water expense reduction divided by sales (\$71,997.30/(112,092,510/1,000) equals \$0.64/1,000.

2. Cave Run notified Morgan District that its wholesale rate would increase from \$2.57 per 1,000 gallons to \$2.67 per 1,000 gallons effective July 1, 2018. Morgan District proposes to increase the water rates to its customers effective October 1, 2018, to reflect the increased cost of purchased water from Cave Run.

3. Morgan District proposed a purchased water adjustment factor of \$0.10 per 1,000 gallons in its application.

4. During the 12 months ended June 30, 2018, Morgan District purchased 156,855,000 gallons of water from West Liberty, and 107,208,000 gallons of water from Cave Run. During the same period, Morgan District sold 112,092,510 gallons of water. The increase in the cost of purchased water is \$10,720.80, resulting in a purchased water adjustment factor of \$0.10 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.10 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

6. Morgan District'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 Morgan District on and after October 1, 2018.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.10 per 1,000 gallons is approved.

2. The rates proposed by Morgan District are approved.

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

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

5. Within 30 days of the date of entry of this Order, Morgan District shall file with the Commission Proof of Notice pursuant to KAR 5:068, Section 5(3).

6. Any document filed pursuant to ordering paragraph 5 of this Order shall reference this case number and shall be retained in the post-case correspondence file.

7. This case is closed and removed from the Commission's docket.

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By the Commission

ENTERED
OCT 22 2018
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2018-00301

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00301 DATED **OCT 22 2018**

| | New Rate | Base Rate |
|-----------------------------------|---------------------|------------------------------|
| Cave Run | | |
| Purchases in Gallons | 107,208,000 | 107,208,000 |
| Wholesale rate | <u>\$2.67/1,000</u> | <u>\$2.57/1,000</u> |
| | \$286,245.36 | \$275,524.56 |
| West Liberty | | |
| Purchases in Gallons | 156,855,000 | 156,855,000 |
| Wholesale rate | <u>NO CHANGE</u> | <u>NO CHANGE</u> |
| Increased water cost | | \$ 10,720.80 |
| Increased water cost | | \$ 10,720.80 |
| Divided by Gallons sold/1,000 | | <u>112,092,510</u> |
| Purchased water adjustment factor | | \$ 0.0956 per 1,000 Gallons |
| | | or \$ 0.10 per 1,000 Gallons |

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00301 DATED **OCT 22 2018**

The following rates and charges are prescribed for the customers in the area served by Morgan County 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 | 2,000 | Gallons | \$ 25.42 | Minimum bill |
| Next | 3,000 | Gallons | 9.41 | per 1,000 Gallons |
| Next | 5,000 | Gallons | 8.72 | per 1,000 Gallons |
| Next | 5,000 | Gallons | 8.03 | per 1,000 Gallons |
| All Over | 15,000 | Gallons | 7.34 | per 1,000 Gallons |

1-Inch Meter

| | | | | |
|----------|--------|---------|----------|-------------------|
| First | 5,000 | Gallons | \$ 53.78 | Minimum bill |
| Next | 5,000 | Gallons | 8.72 | per 1,000 Gallons |
| Next | 5,000 | Gallons | 8.03 | per 1,000 Gallons |
| All Over | 15,000 | Gallons | 7.34 | per 1,000 Gallons |

2-Inch Meter

| | | | | |
|----------|--------|---------|-----------|-------------------|
| First | 15,000 | Gallons | \$ 136.38 | Minimum bill |
| All Over | 15,000 | Gallons | 7.34 | per 1,000 Gallons |

6-Inch Meter

| | | | | |
|----------|---------|---------|----------|-------------------|
| First | 100,000 | Gallons | \$761.31 | Minimum bill |
| All Over | 100,000 | Gallons | 7.34 | per 1,000 Gallons |

City of Campton Wholesale \$4.26 per 1,000 Gallons

City of Frenchburg Wholesale \$4.26 per 1,000 Gallons

*Monty Rhody
P.E.
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Lawrenceburg, KENTUCKY 40342

*Morgan County Water District
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West Liberty, KY 41472