

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF NORTH MCLEAN	)	2021-00225
COUNTY WATER DISTRICT	)	

ORDER

On June 7, 2021, North McLean County Water District (North McLean District) applied for approval to adjust its rates pursuant to the purchased water adjustment (PWA) procedure.<sup>1</sup>

The Commission notes that in North McLean District's 2019 Annual Report a water loss of 15.1621 percent was reported.<sup>2</sup> North McLean District's application provides updated purchase and sales information for a more current period than the 2019 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 the utility in its 2019 Annual Report,<sup>3</sup> North McLean District's unaccounted-for water loss is determined to be 16.9653 percent for the updated period.<sup>4</sup> Reduction of

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<sup>1</sup> KRS 278.015; 807 KAR 5:068.

<sup>2</sup> *Annual Report of North McLean Water District to the Public Service Commission for the Year Ended December 31, 2019* at 57.

<sup>3</sup> *Id.* at 57, line 22, divided by line 4 (259 divided by 123,380) equals 0.2099%.

<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	116,646,000
Less Total Sales (application PWA Form 1 at 2)	96,611,800

North McLean District's unaccounted-for water loss to 15 percent would result in an approximate \$8,756.93<sup>5</sup> decrease to purchased water expense. Potentially, North McLean District is paying approximately \$0.0906 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent<sup>6</sup> threshold.

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

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that:

1. North McLean District purchases water from McLean County Regional Water Commission (McLean County), Daviess County Water District (Daviess District) and Ohio County Water District<sup>7</sup> (Ohio District).

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Less plant use (% determined from 2019 Annual Report)	<u>244,840</u>
Water loss - gallons	19,789,360
Water loss - percent	16.9653%

<sup>5</sup> Water loss above 15% is 1.9653%, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15%) = \$455,577.29 X 1.9653 = \$8,756.93

<sup>6</sup> Potential purchased water expense reduction divided by sales (\$8,756.93/(96,611,800/1,000) equals \$.0906/1,000.

<sup>7</sup> Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment*, (Ky. PSC Dec. 3, 2020). The rates approved included an increase to the wholesale rates Ohio District charges. Ohio District's wholesale customers include North McLean District as an emergency water supplier. North McLean District did not purchase water from Ohio District during the last 12 months.

2. Daviess County notified North McLean District that its wholesale rate would increase from \$4.38 per 1,000 gallons to \$4.84 per 1,000 gallons, effective June 1, 2021. McLean County also notified North McLean that its wholesale rate would increase from \$3.22 per 1,000 gallons to \$3.77 per 1,000 gallons, effective July 1, 2021. North McLean District proposes to increase the water rates to its customers effective July 1, 2021, to reflect the increased cost of purchased water from Daviess District and McLean County.

3. North McLean District proposed a purchased water adjustment factor of \$0.66 per 1,000 gallons in its application.

4. During the 12 months ended April 30, 2021, North McLean District purchased 111,205,000 gallons of water from McLean County and 5,441,000 gallons of water from Daviess District. During the same period, North McLean District sold 96,611,800 gallons of water. The increase in the cost of purchased water is \$63,665.61, resulting in a purchased water adjustment factor of \$0.66 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.66 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved.

6. North McLean 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 North McLean District on and after July 1, 2021.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.66 per 1,000 gallons is approved.

2. The rates proposed by North McLean District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North McLean District on and after July 1, 2021.
4. Within 20 days of the date of entry of this Order, North McLean 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.

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By the Commission



ATTEST:

  
Executive Director

Case No. 2021-00225

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2021-00225 DATED JUL 06 2021

	Base Rate	New Rate
McLean County		
Purchases in Gallons	111,205,000	111,205,000
Wholesale rate	<u>\$3.22</u>	<u>\$3.77</u>
	\$358,080.10	\$419,242.85
Daviess District		
Purchases in Gallons	5,441,000	5,441,000
Wholesale rate	<u>\$4.38</u>	<u>\$4.84</u>
	\$23,831.58	\$26,334.44
Ohio County District		
Purchases in Gallons	0	0
Wholesale rate	<u>\$3.29</u>	<u>\$3.29</u>
	0	0
Increased water cost		\$63,665.61
Increased water cost		\$63,665.61
Divided by Gallons sold/1,000		<u>96,611,800</u>
Purchased water adjustment factor		\$0.6590 per 1,000 gallons
		or \$0.66 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2021-00225 DATED JUL 06 2021

The following rates and charges are prescribed for the customers in the area served by North McLean 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

First	2,000 Gallons	\$24.31 Minimum Bill
Next	8,000 Gallons	0.00921 per Gallon
Next	30,000 Gallons	0.00849 per Gallon
Over	40,000 Gallons	0.00780 per Gallon

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