

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MEADE COUNTY)	2023-00330
WATER DISTRICT)	

ORDER

On October 11, 2023, Meade County Water District (Meade District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068.

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

Meade District purchases water from Hardin County Water District #1 (Hardin District #1). Hardin District #1 notified Meade District that its wholesale rate would increase from \$3.33 per 1,000 gallons to \$3.37 per 1,000 gallons, effective October 1,

2023.¹ In Case No. 2023-00315, Hardin District #1's proposed rates in its purchased water adjustment case were denied by the Commission and the purchased water adjustment factor reduced.² On October 26, 2023, Hardin District #1 was approved for a wholesale rate increase from \$3.33 per 1,000 gallons to \$3.35 per 1,000 gallons.³ Meade District proposed to increase the water rates to its customers effective November 1, 2023, to reflect the increased cost of purchased water from Hardin District #1.

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, Meade District reported a water loss of 16.6964.⁴ Meade District's application provides updated purchase and sales information for the period of August 2022 through July 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, Meade District's unaccounted-for water loss is 19.26 percent for the updated period.⁵ Reduction of Meade District's unaccounted-for

¹ Case No. 2023-00315, *Electronic Purchased Water Adjustment of Hardin County Water District No. 1* (Ky. PSC Oct. 26, 2023).

² Case No. 2023-00315, Oct. 26, 2023 final Order.

³ Case No. 2023-00315, Oct. 26, 2023 final Order.

⁴ *Annual Report of Meade District to the Public Service Commission for the Year Ended December 31, 2022* at 58.

⁵ Total Purchases (application PWA Form 1 at 2)	423,836,900
Less Total Sales (application PWA Form 1 at 2)	316,662,774
Less Plant Use (% determined from 2022 Annual Report)	25,553,551
Water Loss – Gallons	81,620,575
Water Loss – Percent	19.26%

water loss to 15 percent would result in an approximate \$60,486 decrease to purchased water expense.⁶ Potentially, Meade District is paying approximately \$0.19 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁷ The cost of Meade District's total water loss is approximately \$273,464.⁸

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

Financial Condition and Rates

Meade District filed an application for a rate case, Case No. 2023-00039, on February 10, 2023.⁹ The Commission Staff Report (Staff Report) was issued on June 28, 2023, recommending a revenue increase of \$176,546, or 5.47 percent,¹⁰ projecting an impact on the average residential customer using 4,000 gallons per month to be an

⁶ Water loss above 15% is 4.26%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$1,419,853.62 times water loss above 15%) equals \$60,486.

⁷ Potential purchased water expense reduction divided by sales (\$60,486/ (316,662,774/1,000)) equals \$0.19 per 1,000 gallons.

⁸ Total water cost at new wholesale rate of \$1,419,853.62 times 19.26% water loss equals \$273,464.

⁹ Case No. 2023-00039, *Electronic Application of Meade County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (filed Feb. 10, 2023).

¹⁰ Case No. 2023-00039, *Electronic Application of Meade County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2023), Commission Staff Report.

increase of \$2.51, from \$45.81 to \$48.32. On July 6, 2023, Meade District filed its response to the Staff Report, accepting the findings regarding water rates and requesting that the Commission approve the rates shown in the Appendix to the Staff Report.¹¹ The final Order for Meade District's current rate case is in process.

Purchased Water Adjustment Factor

In its application, Meade District proposed a purchased water adjustment factor of \$0.06 per 1,000 gallons based on Hardin District #1's original notice of increase. However, as noted above, the Commission reduced Hardin District #1's wholesale rate, which results in a revised purchased water adjustment factor for Meade District. During the 12 months ended July 31, 2023, Meade District purchased 423,836,900 gallons of water from Hardin District #1 and sold 316,662,774 gallons of water to its customers. The increase in the cost of purchased water from Hardin District #1 using the approved wholesale charge is \$8,476.74, resulting in a purchased water adjustment factor of \$0.03 per 1,000 gallons.

The purchased water adjustment factor of \$0.03 per 1,000 gallons, as calculated in Appendix A, and the rates set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Meade District on and after November 1, 2023, because the rates are supported by evidence of the increase in rates from Meade District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.


¹¹ Case No. 2023-00039, *Electronic Application of Meade County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (filed July 6, 2023).

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.03 per 1,000 gallons is approved.
2. The rates proposed by Meade District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Meade District on and after November 1, 2023.
4. Within 20 days of the date of service of this Order, Meade 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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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
NOV 09 2023 bsb
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00330 DATED NOV 09 2023

	Base Rate	New Rate	Change
<u>Hardin District #1</u>			
Purchases in Gallons	423,836,900	423,836,900	
Rate per 1,000 Gallons	<u>\$3.33/1,000</u>	<u>\$3.35/1,000</u>	
Total	\$1,411,376.88	\$1,419,853.62	\$8,476.74
Increased water cost			\$8,476.74
Increased water cost	\$8,476.74		
Divided by Gallons sold/1,000	<u>316,662,774</u>		
Purchased water adjustment factor	\$0.0268	per 1,000 Gallons	
	or \$ 0.00003	per Gallon	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00330 DATED NOV 09 2023

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

All Meter Sizes

First	2,000 Gallons	23.29	Minimum Bill
Next	5,000 Gallons	0.01132	Per Gallon
Next	10,000 Gallons	0.01095	Per Gallon
Next	20,000 Gallons	0.01009	Per Gallon
Over	37,000 Gallons	0.00889	Per Gallon

Bulk Station Sales	0.00833	Per Gallon
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Wholesale Rate Volume Charge

Doe Valley Water System	0.00597	Per Gallon
Otter Creek Water System	0.00611	Per Gallon

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