

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
MORGAN COUNTY WATER DISTRICT)	2017-00271

ORDER

On July 11, 2017, Morgan County Water District (“Morgan 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, Morgan County reported a water loss of 29.9265 percent². Morgan County’s application provides updated purchases 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 fifteen (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 Morgan County’s unaccounted-for water loss is determined to be 32.10 percent for the updated period.⁴

¹ KRS 278.012; 807 KAR 5:068.

² 2016 Annual Report at 56, line 33.

³ 2016 Annual Report at 56, line 21, divided by line 4, (45,873 divided by 223,962) equals 20.48 percent.

⁴ Total Purchases (application PWA Form 1 at 2)	231,312,218
Less Total Sales (application PWA Form 1 at 2)	109,676,760
Less plant use (% determined from 2016 AR)	<u>47,378,508</u>
Water loss - gallons	74,256,950
Water loss - percent	0.3210

Reduction of Morgan County's unaccounted-for water loss to 15 percent would result in an approximate \$113,758.40⁵ decrease to purchased water expense. Potentially, Morgan County is paying \$1.0372 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 fifteen (15) percent unaccounted-for water loss threshold and strongly encourages Morgan County to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Morgan 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. Morgan County purchases water from the city of West Liberty ("West Liberty") and the Cave Run Water Commission ("Cave Run").
2. Cave Run notified Morgan County on May 24, 2017, that its wholesale rate would increase to Morgan County from \$2.45 per 1,000 gallons to \$2.57 per 1,000 gallons. Morgan County proposed to increase the water rates to its customers effective July 22, 2017, to reflect the increased cost of purchased water from Cave Run.

⁵ Water loss above 15 percent: 17.10 percent
Potential purchased water expense reduction (cost at new wholesale rate times water loss above 15 percent) = \$ 113,758.40

⁶ Potential purchased water expense reduction divided by sales (\$113,758.40/(109,606,760/1,000) equals \$1.0372/1,000.

3. Morgan County initially proposed a purchased water adjustment factor of \$0.10 per 1,000 gallons in its application, based on a calculation of its increased cost of water of \$0.1014 per 1,000 gallons. Morgan County included proposed rates reflecting an increase of \$0.10 per 1,000 gallons. By letter, Morgan County has subsequently requested to amend its application to propose a revised purchased water adjustment factor of \$0.11 per 1,000 gallons to reflect a rounding up of its increased cost of purchase water. Morgan County filed a revised schedule of rates to reflect the purchased water adjustment of \$0.11 per 1,000 gallons.⁷ The Commission finds that the amendment should be granted.

4. During the 12 months ended May 31, 2017, Morgan County purchased 138,598,218 gallons of water from West Liberty and 92,714,000 from Cave Run. During the same period Morgan County sold 109,676,760 gallons of water. The increase in the cost of purchased water is \$11,125.68, resulting in a purchased water adjustment factor of \$0.11 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.11 per 1,000 gallons, as calculated in Appendix A to this Order, permits Morgan County to pass through the increase in its wholesale rates from Cave Run, is fair, just, and reasonable, and should be approved.

6. The Commission finds that permitting Morgan County to round up its calculation of the purchased water adjustment factor is consistent with the intent of KRS 278.015 and allows Morgan County to recover the increase in rates from its wholesale

⁷ Letter from Ray Collett, commissioner, Morgan County Water District, to the Executive Director, Public Service Commission, filed July 25, 2017.

supplier. Morgan County's revised proposed rates filed on July 25, 2017, 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 County on and after July 22, 2017.

IT IS THEREFORE ORDERED that:

1. Morgan County's request to amend its purchased water adjustment filing is granted.

2. The purchased water adjustment factor of \$0.11 per 1,000 gallons is approved.

3. Morgan County's revised proposed rates filed on July 25, 2017, and as set forth in Appendix B to this Order are approved for water service rendered by Morgan County on and after July 22, 2017.

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

By the Commission

ENTERED
AUG 09 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Acting Executive Director

Case No. 2017-00271

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2017-00271 DATED **AUG 09 2017**

	New Rate	Base Rate
Morgan County West Liberty Purchases in gallons	138,598,218 <u>NO CHANGE</u>	138,598,218 <u>NO CHANGE</u>
Cave Run Purchases in gallons	92,714,000 <u>\$ 2.57/1,000</u>	92,714,000 <u>\$ 2.45/1,000</u>
Total	\$238,274.98	\$227,149.30
Increased water cost		\$ 11,125.68
Increased water cost		\$ 11,125.68
Divided by gallons sold/1,000		<u>109,676,760</u>
Purchased water adjustment factor		\$ 0.1014 per 1,000 gallons or \$ 0.11 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00271 DATED **AUG 09 2017**

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 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	\$ 25.22 Minimum Bill
Next	3,000 gallons	9.31 per 1,000 gallons
Next	5,000 gallons	8.62 per 1,000 gallons
Next	5,000 gallons	7.93 per 1,000 gallons
Over	15,000 gallons	7.24 per 1,000 gallons

1-Inch Meter

First	5,000 gallons	\$ 53.28 Minimum Bill
Next	5,000 gallons	8.62 per 1,000 gallons
Next	5,000 gallons	7.93 per 1,000 gallons
Over	15,000 gallons	7.24 per 1,000 gallons

2-Inch Meter

First	15,000 gallons	\$134.88 Minimum Bill
Over	15,000 gallons	7.24 per 1,000 gallons

6-Inch Meter

First	100,000 gallons	\$751.31 Minimum Bill
Over	100,000 gallons	7.24 per 1,000 gallons

6-Inch Meter

City of Campton	4.16 per 1,000 gallons
City of Frenchburg	4.16 per 1,000 gallons

*Morgan County Water District
1009 Hwy 172
West Liberty, KY 41472

*Roy Collett
Morgan County Water District
1009 Hwy 172
West Liberty, KY 41472