

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
MCKINNEY WATER DISTRICT)	2017-00310

ORDER

On July 24, 2017, McKinney Water District ("McKinney") applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2016 Annual Report, McKinney reported a water loss of 24.6907 percent.² McKinney'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 ratemaking 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 McKinney's unaccounted-for water

¹ KRS 278.015; 807 KAR 5:068.

² 2016 Annual Report at 56, line 33.

³ 2016 Annual Report, at 56, line 21, divided by line 4, (1,607 divided by 120,187) equals 0.013 percent.

loss is determined to be 27.8095 percent for the updated period.⁴ Reduction of McKinney’s unaccounted-for water loss to 15 percent would result in an approximate \$38,701.41⁵ decrease to purchased water expense. Potentially, McKinney is paying \$0.43 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 McKinney to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by McKinney 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. McKinney purchases water from the city of Stanford (“Stanford”) and Eubank Water System, (“Eubank”).
2. Stanford notified McKinney that its wholesale rate would increase from \$2.80 per 1,000 gallons to \$2.99 per 1,000 gallons effective August 15, 2017.⁷

⁴ Total Purchases (application PWA Form 1 at 2)	125,571,300
Less Total Sales (application PWA Form 1 at 2)	88,971,600
Less plant use (% determined from 2016 AR)	<u>1,678,993</u>
Water loss – gallons	34,920,707
Water loss – percent	27.8095
Water loss – above 15 percent	12.8095

⁵ Potential purchased water expense reduction (cost at new wholesale rate times water loss above 15 percent) = \$38,701.41.

⁶ Potential purchased water expense reduction divided by sales (\$38,701.41/(88,971,600/1,000) equals \$0.434/1,000.

⁷ TFS 2017-00308 (Ky. PSC filed June 7, 2017). The tariff was accepted for filing by the Commission by letter dated July 14, 2017.

McKinney proposed to increase the water rates to its customers effective August 15, 2017, to reflect the increased cost of purchased water from Stanford.

3. McKinney proposes a purchased water adjustment factor of \$0.22 per 1,000 gallons.

4. During the 12 months ended May 31, 2017, McKinney purchased 101,047,000 gallons of water from Stanford and 24,524,300 from Eubank. During the same period, McKinney sold 88,971,600 gallons of water. The increase in the cost of purchased water is \$19,198.93, resulting in a purchased water adjustment factor of \$0.22 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.22 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved.

6. McKinney's proposed rates, as set forth in Appendix B to this Order, are fair, just and reasonable and should be approved for water service rendered by McKinney on and after August 15, 2017.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.22 per 1,000 gallons is approved.

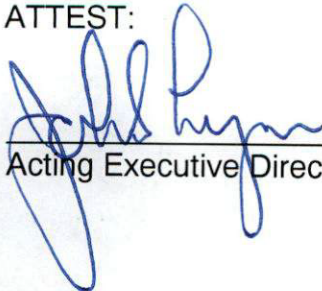
2. The rates as set forth in Appendix B to this Order are approved for water service rendered by McKinney on and after August 15, 2017.

3. Within 20 days of the date of this Order, McKinney 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 17 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Acting Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2017-00310 DATED **AUG 17 2017**

	New Rate	Base Rate
Stanford		
Purchases in gallons	101,047,000	101,047,000
Volumetric rate	<u>\$2.99/1,000</u>	<u>\$2.80/1,000</u>
	\$302,130.53	\$282,931.60
Eubank		
Purchases in gallons	24,524,300	24,524,300
Volumetric rate	<u>No Change</u>	<u>No Change</u>
	\$ 0	\$ 0
	Increased water cost	\$19,198.93

Increased water cost	\$19,198.93
Divided by gallons sold/1,000	<u>88,971,600</u>
	\$ 0.2158
Purchased water adjustment factor	\$ 0.22 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00310 DATED **AUG 17 2017**

The following rates and charges are prescribed for the customers in the area served by McKinney 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-Inch X 3/4-Inch Meter

First	1,000 gallons	\$ 14.42	Minimum bill
Next	2,000 gallons	8.89	per 1,000 gallons
Next	7,000 gallons	7.48	per 1,000 gallons
All Over	10,000 gallons	6.80	per 1,000 gallons

1-Inch Meter

First	5,000 gallons	\$ 47.16	Minimum bill
Next	5,000 gallons	7.48	per 1,000 gallons
All Over	10,000 gallons	6.80	per 1,000 gallons

2-Inch Meter

First	20,000 gallons	\$ 152.56	Minimum bill
All Over	20,000 gallons	6.80	per 1,000 gallons

*McKinney Water District
2900 KY HWY 198
Stanford, KY 40484

*Nicki Bastin
Clerk
McKinney Water District
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