

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MOUNTAIN WATER)	2020-00068
DISTRICT)	

ORDER

On March 5, 2020, Mountain Water District (Mountain District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹ The filing was marked as deficient, and Mountain District corrected this deficiency on March 12, 2020. The case now stands before the Commission for a decision.

The Commission notes that in its 2018 Annual Report, Mountain District reported a water loss of 37.4494 percent.² Mountain District's application provides updated purchase and sales information for a more current period than the 2018 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 2018 Annual Report,³ Mountain District's unaccounted-for water loss is

¹ KRS 278.015; 807 KAR 5:068.

² 2018 Annual Report at 57, line 33.

³ 2018 Annual Report, Water Statistics, page 57, line 21, divided by line 4, (173,648 divided by 1,584,856) equals 10.96 percent.

determined to be 38.9110 percent for the updated period.⁴ Reduction of Mountain District’s unaccounted-for water loss to 15 percent would result in an approximate \$692,741.27⁵ decrease to purchased and produced water expense. Potentially, Mountain District is paying approximately \$0.88 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent threshold.⁶

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

On March 12, 2020, Mountain District requested a deviation from 807 KAR 5:068, Sections 1(2) and (5), which sets out the definitions for “changed rate” and “base rate” and that defines “base rate” as the rate that was in effect immediately prior to the change or new rate and “changed rate” as the rate of the utility’s supplier in effect immediately after the the most recent increase or decrease. Due to the supplier’s rate changing three

⁴ Total Purchases (Supplemental filing on 3/25)	732,854,097
Plus Total Produced (Supplemental filing on 3/25)	844,176,411
Less Total Sales (application PWA Form 1 at 2)	790,602,230
Less plant use (% determined from 2018 Annual Report)	<u>172,790,584</u>
Water loss - gallons	613,637,694
Water loss - percent	38.9110

⁵ Water loss above 15 percent is 23.9110 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = (\$907,053.01 + \$498,530.61) x .239110 = \$336,089.10. Potential produced water expense reduction (Purchased power and chemical cost in 2018 Annual Report = \$1,491,582 x .239110 = \$356,652.17. Total purchased & produced water expense reduction is \$692,741.27.

⁶ Potential produced and purchased water expense reduction divided by sales (\$692,741.27/(790,602,230/1,000) equals \$0.88/1,000.

times between the dates of April 2019 and October 2019, the deviation is granted and Mountain District may capture all of the increases at once instead of filing a Purchased Water Adjustment for each increase individually.

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

1. Mountain District purchases water from the city of Pikeville (Pikeville) and the city of Williamson, West Virginia (Williamson).

2. Pikeville notified Mountain District that on September 5, 2019, it would be increasing its wholesale water rate to Mountain District from \$1.68 per 1,000 gallons for the first 28 million gallons, and \$1.30 per 1,000 gallons for all water over 28 million gallons, to a flat rate of \$1.97 per 1,000 gallons. Williamson notified Mountain District that on October 1, 2019, it would be increasing its wholesale water rate to Mountain District from \$1.68 per 1,000 gallons to \$1.83 per 1,000 gallons. Mountain District proposes to increase the water rates to its customers effective February 28, 2020.

3. Mountain District proposed a purchased water adjustment factor of \$0.26 per 1,000 gallons.

4. On March 25, 2020, Mountain District filed an amendment to their application that revised the total gallons purchased from Pikeville to 460,433,000.⁷

5. During the 12 months ended December 31, 2019, Mountain District purchased 460,433,000 gallons from Pikeville and 272,421,097 gallons from Williamson. Mountain District sold 790,602,230 gallons of water during the same 12 months. The

⁷ Mountain District revised purchases from Pikeville at 3.

increase in the cost of purchased water is \$221,673.28, resulting in a purchased water adjustment factor of \$0.29 per 1,000 gallons.

6. Mountain District's proposed purchased water adjustment factor of \$0.26 per 1,000 gallons is denied.

7. The purchased water adjustment factor of \$0.29 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

8. Mountain District's proposed rates are denied.

9. 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 Mountain District on and after February 28, 2020.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.29 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 Mountain District on and after February 28, 2020.

3. Mountain District's request for a deviation from 807 KAR 5:068, Sections 1(2) and (5), is granted.

4. Within 20 days of the date of the entry of this Order, Mountain 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.

By the Commission



ATTEST:

A handwritten signature in blue ink, consisting of stylized initials and a surname.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00068 DATED APR 02 2020

		Annual Base Rate	
City of Pikeville			
	First 28,000,000 Gallons Per Month	336,000,000 <u>\$1.68/1,000</u> \$564,480.00	
	Over 28,000 000 Gallons Per Month	124,433,000 <u>\$1.30/1,000</u> \$161,762.90	
	Total	\$726,242.90	
		New Rate	Increased Cost
	Purchases in Gallons Wholesale rate	460,433,000 <u>\$1.97/1,000</u> \$907,053.01	\$180,810.11
		New Rate	Increased Cost
Williamson	Base Rate		
Purchases in Gallons	272,421,097	272,421,097	
Wholesale rate	<u>\$1.68/1,000</u>	<u>\$1.83/1,000</u>	
	\$457,667.44	\$498,530.61	\$40,863.17
Increased water cost		\$221,673.28	
Divided by Gallons sold/1,000		<u>790,602,230</u>	
Purchased water adjustment factor		\$ 0.2804 per 1,000 Gallons	
		Or \$ 0.29 per 1,000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00068 DATED APR 02 2020

The following rates and charges are prescribed for the customers in the area served by Mountain 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-Inch Meter

First	2,000 Gallons	\$23.93	Minimum Bill
Next	8,000 Gallons	8.47	per 1,000 Gallons
Over	10,000 Gallons	7.54	per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$49.34	Minimum Bill
Next	5,000 Gallons	8.47	per 1,000 Gallons
Over	10,000 Gallons	7.54	per 1,000 Gallons

2-Inch Meter

First	20,000 Gallons	\$167.09	Minimum Bill
Next	20,000 Gallons	7.54	per 1,000 Gallons

3-Inch Meter

First	30,000 Gallons	\$242.49	Minimum Bill
Next	30,000 Gallons	7.54	per 1,000 Gallons

4-Inch Meter

First	50,000 Gallons	\$393.29	Minimum Bill
Next	50,000 Gallons	7.54	per 1,000 Gallons

6-Inch Meter

First	100,000 Gallons	\$770.29	Minimum Bill
Over	100,000 Gallons	7.54	per 1,000 Gallons

Martin County Water District	3.09	per 1,000 Gallons
Mingo County Public Service District	4.66	per 1,000 Gallons

Jenkins Utilities

First 50,000 Gallons per day	\$3.09	per 1,000 Gallons
Over 50,000 Gallons per day	3.50	per 1,000 Gallons

City of Elkhorn		
First 215,000 Gallons per day	\$2.91	per 1,000 Gallons
Over 215,000 Gallons per day	3.09	per 1,000 Gallons

*Kevin Lowe
Executive Assistant
Mountain Water District
P. O. Box 3157
Pikeville, KY 41502

*Roy Sawyers
Mountain Water District
P. O. Box 3157
Pikeville, KY 41502

*Mountain Water District
6332 Zebulon Highway
P. O. Box 3157
Pikeville, KY 41502-3157