

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING	)	CASE NO.
OF CORINTH WATER DISTRICT	)	2020-00083

ORDER

On March 13, 2020, Corinth Water District (Corinth District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup>

The Commission notes that in its 2018 Annual Report, Corinth District reported a water loss of 19.5576 percent.<sup>2</sup> Corinth District’s application provides updated purchase and sales information for a more current period than the 2018 Annual Report. During the review of Corinth District’s application, it was discovered that there were errors in Corinth District’s 2018 Annual Report in the reporting of other water used. Corinth District incorrectly reported 5,708,000 gallons used in the “other” category that should have been reported as line breaks and line leaks.<sup>3</sup> Recalculating Corinth District’s water loss by reallocating the gallons from “other” to “line breaks and line leaks” results in a water loss of 26.5645 percent.<sup>4</sup> Based upon this recalculation, the updated information in the

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

<sup>2</sup> 2018 Annual Report at 60, line33.

<sup>3</sup> *Id.*, line 20.

<sup>4</sup> Incorrect Other water used	5,708,000
Water Loss in 2018 Annual Report, at 60, line 28	<u>15,932,000</u>
Corrected Water Loss	21,640,000
Divided by total Produced & Purchased, at 60, line 4	81,462,000
Corrected Water Loss – percent	26.5645

application, and the corrected percentage of other water consumed by the utility in its 2018 Annual Report,<sup>5</sup> Corinth District's unaccounted-for water loss is determined to be 27.9183 percent for the updated period.<sup>6</sup> 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. Reduction of Corinth District's unaccounted-for water loss to 15 percent would result in an approximate \$31,563.70<sup>7</sup> decrease to purchased water expense. Potentially, Corinth District is paying approximately \$0.66 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent threshold.<sup>8</sup> Excessive water loss was indicated as a deficiency in the Commission's October 10, 2019, Periodic Compliance Inspection. Corinth District sent a letter in response to its deficiencies stating that the excessive water loss was the result of a six-day leak found in a creek crossing; however, Corinth District reported a 23.2224 percent water loss in its 2017 Annual Report<sup>9</sup> and a 17.9249 percent water loss in its 2016 Annual Report.<sup>10</sup> While a review of Corinth District's Annual Reports since its last

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<sup>5</sup> 2018 Annual Report, Water Statistics, page 60 line 21 less Other water used that should be allocated to water loss, divided by line 4, (12,285 – 5,708) divided by 81,462) equals 8.07 percent.

<sup>6</sup> Total Purchases (application PWA Form 1 at 2)	74,265,422
Less Total Sales (application PWA Form 1 at 2)	47,535,800
Less revised plant use (% determined from 2018 Annual Report)	<u>5,995,970</u>
Water loss - gallons	20,733,652
Water loss - percent	27.9183

<sup>7</sup> Water loss above 15 percent is 12.9183 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$31,563.70.

<sup>8</sup> Potential purchased water expense reduction divided by sales (\$31,563.70/(47,535,800/1,000) equals \$0.66/1,000.

<sup>9</sup> 2017 Annual Report at 59, line 33.

<sup>10</sup> 2016 Annual Report at 59, line 33.

rate case in 2010 indicates it began having issues with excessive water loss approximately three years ago, the fact that Staff discovered errors in the reporting of other water used calls into question the reliability of the data reported by Corinth District.<sup>11</sup>

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

The Commission notes that its records indicate Corinth District has not sought a general adjustment in base rates since its last rate case in 2010.<sup>12</sup> The resulting lack of insight into Corinth District's financial records and Corinth District's excessive water loss indicates to the Commission that Corinth District should file an application for a traditional adjustment in rates or an alternative rate adjustment within one year of the date of this Order to ensure that its rates are sufficient to combat excessive water loss.

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

1. Corinth District purchases water from the city of Williamstown (Williamstown).

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<sup>11</sup> Corinth District has reported 15.3663 percent water loss in its 2015 Annual Report; 9.7109 percent water loss in its 2014 Annual Report; 9.8639 percent water loss in its 2013 Annual Report; 8.9245 percent water loss in its 2012 Annual Report; 13.6068 percent water loss in its 2011 Annual Report; and 12.8196 percent water loss in its 2010 Annual Report.

<sup>12</sup> Case No. 2010-00155, *Application of Corinth Water District for Approval of Increased Water Service*, (Ky.PSC Aug.17, 2010).

2. Williamstown notified Corinth District that on February 5, 2020, it would be increasing its wholesale water rate to Corinth District from \$3.19 per 1,000 gallons to \$3.29 per 1,000 gallons. Corinth District proposes to increase the water rates to its customers, effective March 1, 2020.

3. Corinth District proposed a purchased water adjustment factor of \$0.16 per 1,000 gallons.

4. During the 12 months ended December 31, 2019, Corinth District purchased 74,265,422 gallons from Williamstown. Corinth District sold 47,535,800 gallons of water during the same 12 months. The increase in the cost of purchased water is \$7,426.54, resulting in a purchased water adjustment factor of \$0.16 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.16 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable, and should be approved.

6. Corinth District'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 Corinth on and after March 1, 2020.

7. Corinth District should file for an adjustment in its base rates or file an alternative rate filing within one year of the date of this Order.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.16 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 Corinth District on and after March 1, 2020.

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

4. Corinth District shall file for an adjustment in its base rates or file an alternative rate filing within one year of the date of this Order.

5. This case is hereby closed and removed from the Commission's docket.

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By the Commission

ENTERED  
MAR 30 2020 rCS  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



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Executive Director

Case No. 2020-00083

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2020-00083 DATED MAR 30 2020

	Base Rate	New Rate	Increased Cost
City of Williamstown			
Purchases in Gallons	74,265,422	74,265,422	
Wholesale rate	<u>\$3.19/1,000</u>	<u>\$3.29/1,000</u>	
	\$236,906.70	\$244,333.24	\$7,426.54
Increased water cost		\$7,426.54	
Divided by Gallons sold/1,000		<u>47,535,800</u>	
Purchased water adjustment factor		\$ 0.1562 per 1,000 Gallons Or \$ 0.16 per 1,000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2020-00083 DATED MAR 30 2020

The following rates and charges are prescribed for the customers in the area served by Corinth 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	1,000 Gallons	\$18.50	Minimum Bill
Next	4,000 Gallons	13.65	per 1,000 Gallons
Next	5,000 Gallons	12.23	per 1,000 Gallons
Over	10,000 Gallons	10.80	per 1,000 Gallons
Truck Loading Station		7.41	per 1,000 Gallons

Purchased Water Rate

City of Williamson		3.29	per 1,000 Gallons
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\*Corinth Water District  
215 Thomas Lane  
P. O. Box 218  
Corinth, KY 41010

\*William Hill  
Manager  
Corinth Water District  
P. O. Box 218  
Corinth, KY 41010