

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MADISON COUNTY)	2020-00178
UTILITY DISTRICT)	

ORDER

On June 2, 2020, Madison County Utilities District (Madison District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in Madison District's 2019 Annual Report a water loss of 18.5040 percent was reported.² Madison District's application provides updated purchases and sales information for a more current period than the 2019 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 2019 Annual Report,³ Madison District's unaccounted-for water loss is determined to be 17.4711 percent for the updated period.⁴ Reduction of Madison

¹ KRS 278.015; 807 KAR 5:068.

² 2019 Annual Report at 57.

³ *Id.*, line 21 (382) divided by line 4 (721,000) equals 0.053 percent.

⁴ Total Purchases (application PWA Form 1 at 2)	96,198,700 cf
Less Total Sales (application PWA Form 1 at 2)	79,340,740 cf
Less Plant Use (% determined from 2019 AR)	<u>50,968</u> cf
Water Loss – Cubic Feet	16,806,992

District's unaccounted-for water loss to 15 percent would result in an approximate \$65,972.30⁵ decrease to purchased water expense. Potentially, Madison District is paying \$0.08 per 100 cubic feet 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 Madison District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Madison District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

In a review of the Commission's records from 1985 to the present dates, the Commission notes that its records indicate Madison District has not sought a general base rate adjustment since 2000. The lack of insight into Madison District's financial records indicate to the Commission that Madison 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 its revenue is sufficient to support adequate and reliable service.

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

1. Madison District purchases water from the Richmond Utilities (Richmond).

Water Loss – Percent 17.4711%

⁵ Water loss above 15 percent is 2.4711 percent, potential purchased water expensed reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$65,972.30.

⁶ Potential purchased water expense reduction divided by sales (\$65,972.30/ (79,340,740/100)) equals \$0.08 per 100 Cubic Feet.

2. Richmond notified Madison District that its wholesale volumetric water rate would increase from \$2.49239 per 100 cubic feet to \$2.53725 per 100 cubic feet and the Kentucky River Authority Fee would increase from \$0.23200 per 100 cubic feet to \$0.23800 per 100 cubic feet effective July 1, 2018. Madison District proposes to increase the water rates to its customers effective July 1, 2019, to reflect the increased cost of purchased water from Richmond.

3. Madison District proposed a purchased water adjustment factor of \$0.07 per 100 cubic feet in its application.

4. During the 12 months ended March 31, 2020, Madison District purchased 96,198,700 cubic feet of water from Richmond. During the same period, Madison District sold 79,340,740 cubic feet of water. The increase in the cost of purchased water is \$48,926.66, resulting in a purchased water adjustment factor of \$0.07 per 100 cubic feet.

5. The purchased water adjustment factor of \$0.07 per 100 cubic feet, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

6. Madison District's proposed rates 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 Madison District on and after July 1, 2020.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.07 per 100 cubic feet is approved.

2. The rates proposed by Madison District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Madison District on and after July 1, 2020.

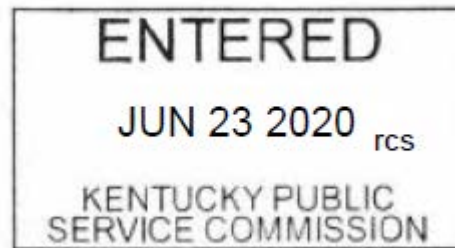
4. Within 20 days of the date of entry of this Order, Madison District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

5. Madison District shall file an application for a traditional adjustment in rates or an alternative rate adjustment within one year of the date of entry of this Order.

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

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By the Commission



ATTEST:

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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00178 DATED JUN 23 2020

	New Rate	Base Rate
Richmond		
Purchases in cubic feet	96,198,700	96,198,700
KY River Authority	\$0.23800/100	\$0.23200/100
Volumetric rate	\$2.53725/100	\$2.49239/100
Total Volumetric rate	<u>\$ 2.77525/100</u> \$2,669,754.42	<u>\$ 2.72439/100</u> \$2,620,827.76
Increased water cost		\$ 48,926.66
Increased water cost		\$ 48,926.66
Divided by cubic feet sold/100		<u>79,340,740</u>
Purchased water adjustment factor		\$ 0.0617 per 100 cubic feet
		or \$ 0.07 per 100 cubic feet

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00178 DATED JUN 23 2020

The following rates and charges are prescribed for the customers in the area served by Madison County Utilities 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	280 Cubic Ft.	\$ 17.18 Minimum Bill
Next	720 Cubic Ft.	5.47 per 100 Cubic Ft.
Next	3,000 Cubic Ft.	5.25 per 100 Cubic Ft.
Next	8,000 Cubic Ft.	5.06 per 100 Cubic Ft.
Next	88,000 Cubic Ft.	4.87 per 100 Cubic Ft.
Over	100,000 Cubic Ft.	4.56 per 100 Cubic Ft.

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