

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF MADISON COUNTY	)	2022-00183
UTILITIES DISTRICT	)	

ORDER

On June 30, 2022, Madison County Utilities District (Madison District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068.

LEGAL STANDARD

In accordance with KRS 278.015, when a wholesale supplier selling water to a water district increases its rates, the water district has the authority to increase its rate commensurate with the wholesale supplier. The water district must file a copy of the notice from the wholesale supplier showing the increase in the wholesale rate, and a statement of the volume of purchased water used to calculate the rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

DISCUSSION AND FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Madison District purchases water from Richmond Utilities (Richmond). The Commission finds that Richmond notified Madison District that its wholesale rate would increase from \$2.53725 per 100 cubic feet to \$2.72272 per 100

cubic feet, effective July 1, 2022.<sup>1</sup> Madison District proposes to increase the water rates to its customers effective July 1, 2022, to reflect the increased cost of purchased water from Richmond.

Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes a utility's unaccounted-for water loss shall not exceed 15 percent of the total water produced and purchased, excluding water consumed by a utility in its own operations. In its 2021 Annual Report filed with the Commission, Madison District reported a water loss of 21.0353 percent.<sup>2</sup> Madison District's application provides updated purchase and sales information for a more current period than the 2021 Annual Report. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2021 Annual Report, Madison District's unaccounted-for water loss is 21.8160 percent for the updated period.<sup>3</sup> Reduction of Madison District's unaccounted-for water loss to 15 percent would result in an approximate \$205,222 decrease to purchased water expense.<sup>4</sup> The cost of Madison District's total water loss is \$656,855.<sup>5</sup>

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<sup>1</sup> TFS 2022-00263 (Ky. PSC filed May 25, 2022); the tariff was accepted for filing by the Commission by letter dated June 24, 2022, with an effective date of July 1, 2022.

<sup>2</sup> Annual Report of Madison District to the Public Service Commission for the Year Ended December 31, 2021 (2021 Annual Report) at 58.

<sup>3</sup> Total Purchases (application PWA Form 1 at 2)	101,694,400
Less Total Sales (application PWA Form 1 at 2)	79,465,029
Less Plant Use (0.043% determined from 2021 Annual Report)	43,729
Water Loss – Gallons	22,185,642
Water Loss – Percent	21.8160%

<sup>4</sup> Total water cost at new wholesale rate of \$3,010,886.44 times 6.8160% (water loss above 15%) equals \$205,222.

<sup>5</sup> Total water cost at new wholesale rate of \$3,010,886.44 times 21.8160% water loss equals \$656,855.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission 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.

Based on a review of Commission records, Madison District recently completed an alternative rate adjustment in January 2022 with an approved revenue increase of \$577,217 or 11.94 percent.<sup>6</sup>

### FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Madison District proposed a purchased water adjustment factor of \$0.24 per 100 cubic feet. During the 12 months ended April 1, 2022, Madison District purchased 101,694,400 cubic feet of water from Richmond and sold 79,465,029 cubic feet of water to its customers. The increase in the cost of purchased water is \$188,612.60, resulting in a purchased water adjustment factor of \$0.24 per 100 cubic feet. The purchased water adjustment factor of \$0.24 per 100 cubic feet, as calculated in Appendix A and the rates set forth in Appendix B to this Order, are fair, just and reasonable and shall be approved for water service rendered by Madison District on and after July 1, 2022. The water adjustment factor is supported by evidence of the increase

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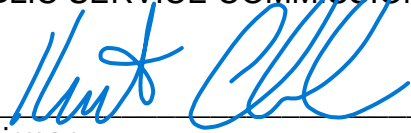
<sup>6</sup> Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022), final Order at 7.

in rates from Madison District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

IT IS THEREFORE ORDERED that:

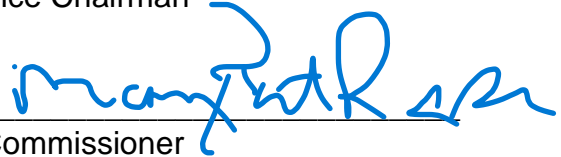
1. The purchased water adjustment factor of \$0.24 per 100 cubic feet is approved.
2. The rates proposed by Madison District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Madison District on and after July 1, 2022.
4. Within 20 days of 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. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00183 DATED JUL 26 2022

	Base Rate	New Rate	Increase
<u>Richmond</u>			
Purchases in cubic feet	101,694,400	101,694,400	
Volumetric rate	\$2.53725/100	\$2.72272/100	
KY River Authority	\$0.238/100	\$0.238/100	
Total Volumetric rate	<u>\$ 2.77525/100</u>	<u>\$ 2.96072/100</u>	
	\$2,822,273.84	\$3,010,886.44	\$188,612.60
Increased water cost		\$188,612.60	
Increased water cost		\$ 188,612.60	
Divided by cubic feet sold/100		<u>79,465,029</u>	
Purchased water adjustment factor		\$ 0.2374 per 100 Cubic Feet	
		or \$ 0.24 per 100 Cubic Feet	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00183 DATED JUL 26 2022

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 authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First	280 cubic feet	\$19.91 Minimum Bill
Next	720 cubic feet	0.0636 per cubic foot
Next	3,000 cubic feet	0.0612 per cubic foot
Next	8,000 cubic feet	0.0590 per cubic foot
Next	88,000 cubic feet	0.0569 per cubic foot
Over	100,000 cubic feet	0.0534 per cubic foot

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