

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MONTGOMERY)	2023-00243
COUNTY WATER DISTRICT #1)	

ORDER

On July 18, 2023, Montgomery County Water District #1 (Montgomery District #1) 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

Montgomery District #1 purchases water from Mount Sterling Water and Sewer (Mount Sterling). Mount Sterling notified Montgomery District #1 that its wholesale rate would increase from \$3.40 per 1,000 gallons to \$3.67 per 1,000 gallons, effective

August, 1, 2023.¹ Montgomery District #1 proposes to increase the water rates to its customers effective August 1, 2023, to reflect the increased cost of purchased water from Mount Sterling.

Unaccounted-for Water Loss

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 2022 Annual Report filed with the Commission, Montgomery District #1 reported a water loss of 16.7207 percent.² Montgomery District #1's application provides updated purchase and sales information for July 2022 through June 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, Montgomery District #1's unaccounted-for water loss is 19.4132 percent for the updated period.³ Reduction of Montgomery District #1's unaccounted-for water loss to 15 percent would result in an approximate \$7,641.37 decrease to purchased water expense.⁴ Potentially, Montgomery District #1 is paying approximately \$0.22 per 1,000 gallons sold for expenses associated with unaccounted-

¹ TFS2023-00297 (Ky. PSC July 31, 2023); Mount Sterling submitted the tariff on June 22, 2023, and the tariff was accepted for filing by the Commission by letter dated July 31, 2023, with an effective date of August 1, 2023.

² *Annual Report of Montgomery District #1 to the Public Service Commission for the Year Ended December 31, 2022* (2022 Annual Report) at 46.

³ Total Purchases (application PWA Form 1 at 2)	47,179,280
Less Total Sales (application PWA Form 1 at 2)	34,142,680
Less Plant Use (% determined from 2022 Annual Report)	3,877,571
Water Loss – Gallons	9,159,029
Water Loss – Percent	19.4132%

⁴ Water loss above 15% is 4.4132%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$173,147.96 times water loss above 15%) equals \$7,641.37.

for water loss in excess of the 15 percent threshold.⁵ The cost of Montgomery District #1's total water loss is \$33,613.56.⁶

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Montgomery District #1 to pursue reasonable actions to reduce its unaccounted-for water loss. The Commission encourages Montgomery District #1 to take the actions necessary to stop the increase in its unaccounted-for water loss before the problem escalates further and more extensive and costly solutions may be required.

Financial Condition and Rates

Montgomery District has not sought a general base rate adjustment since 2009.⁷ In Case No. 2022-00242⁸ the Commission ordered Montgomery District #1 to file an application for a general or alternative rate adjustment by August 30, 2023, or file a formal motion with detailed analysis of its rates and revenues, and a statement of the reasons why a rate case is not necessary. In Case No. 2023-00098⁹ the Commission approved a rate increase of 8.4 percent that was required by the United States Department of

⁵ Potential purchased water expense reduction divided by sales (\$7,641.37/ (34,142,680/1,000)) equals \$0.22 per 1,000 gallons.

⁶ Total water cost at new wholesale rate of \$173,147.96 times 19.4132% water loss equals \$33,613.56.

⁷ Case No. 2009-00343, *Application of Montgomery County Water District No. 1 for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 7, 2010).

⁸ Case No. 2022-00242, *Electronic Purchased Water Adjustment Filing of Montgomery County Water District No. 1* (Ky. PSC Aug. 30, 2022).

⁹ Case 2023-00098, *Electronic Application of Montgomery County Water District #1 for a Certificate of Public Convenience and Necessity to Acquire and Install Water System Improvements and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to 278.023* (Ky. PSC May 30, 2023).

Agriculture Rural Development (USDA/RD) for its loan commitment. The Commission finds that Montgomery District #1 shall comply with the August 30, 2022 Order in Case No. 2022-00242 by filing an application for a general or alternative rate adjustment, to ensure that its revenue is sufficient to support adequate and reliable service, or, in the alternative, on or before August 30, 2023, Montgomery District #1 may file a formal motion with a detailed analysis of its rates and revenues and a statement of the reasons why a rate case is not necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Montgomery District #1 from the requirement to file for a rate adjustment by August 30, 2023.

Purchased Water Adjustment Factor

In its application, Montgomery District #1 proposed a purchased water adjustment factor of \$0.38 per 1,000 gallons. During the 12 months ended June 30, 2023, Montgomery District #1 purchased 47,179,280 gallons of water from Mount Sterling and sold 34,142,680 gallons of water to its customers. The increase in the cost of purchased water from Mount Sterling is \$12,738.41, resulting in a purchased water adjustment factor of \$0.38 per 1,000 gallons. In its application, Montgomery District #1 provided calculations for the cost of purchased water at the previous rate and the cost of water at the new approved rate from Mount Sterling.¹⁰ The calculation for the cost of purchased water at the new rate¹¹ was rounded down, rather than rounded up, and was therefore a penny different than Commission Staff calculations. In its application, Montgomery District #1 provided a table of Current and Proposed Rates in which the utility listed the

¹⁰ Application, WORKSHEET.PDF.

¹¹ $47,179.28 \times \text{Base (New Rate 3.67)} = \$173,147.95$; Commission Staff calculations are shown in Appendix A.

Current Rate for Over 10,000 Gallons as \$0.00652 per gallon.¹² Montgomery District #1's Current tariff lists the rate for Over 10,000 Gallons as \$0.00694 per gallon, which is the correct current rate for that tier. However, because the errors did not impact the calculation of Montgomery District #1's Proposed Rates, no adjustments were necessary.

The purchased water adjustment factor of \$0.38 per 1,000 gallons, as calculated in Appendix A, and the rates set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Montgomery District #1 on and after August 1, 2023, because the rates are supported by evidence of the increase in rates from Montgomery District #1'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 \$0.38 per 1,000 gallons is approved.
2. The rates proposed by Montgomery District #1 are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Montgomery District #1 on and after August 1, 2023.
4. Within 20 days of the date of service of this Order, Montgomery District #1 shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. As originally ordered in Case No. 2022-00242, Montgomery District #1 shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16,

¹² Application, MONTHLY_WATER_RATES.PDF.

or an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary on or before August 30, 2023.


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

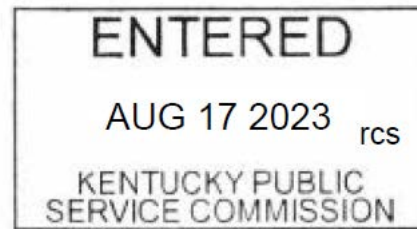
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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00243 DATED AUG 17 2023

	Base Rate	New Rate	Increase
<u>Mount Sterling Water</u>			
Purchases in Gallons	47,179,280	47,179,280	
	<u>\$ 3.40/1000</u>	<u>\$ 3.67/1000</u>	
	\$160,409.55	\$173,147.96	\$12,738.41

Increased water cost	\$12,738.41
Divided by Gallons sold/1,000	<u>34,142,680</u>
Purchased water adjustment factor	\$ 0.3731 per 1,000 Gallons

or \$ 0.00038 per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00243 DATED AUG 17 2023

The following rates and charges are prescribed for the customers in the area served by Montgomery County Water District #1. 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	2,000 Gallons	\$27.22	Minimum Bill
Next	3,000 Gallons	0.00894	Per Gallon
Next	5,000 Gallons	0.00813	Per Gallon
Over	10,000 Gallons	0.00732	Per Gallon

<u>Wholesale Rates</u>		0.00422	Per Gallon
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*Montgomery County Water District #1
4412 Camargo Road
Mt. Sterling, KY 40353

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