

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF UNION COUNTY)	2023-00429
WATER DISTRICT)	

ORDER

On December 28, 2023, Union County Water District (Union 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 decreases its rates, the water district has the authority to decrease its rate commensurate with the wholesale supplier. The water district must file, within the statutory and regulatory deadlines, a copy of the notice from the wholesale supplier showing the decrease 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

Union District purchases water from the city of Morganfield (Morganfield). Morganfield notified Union District that its wholesale rate would decrease from \$3.4114

per 1,000 gallons to \$3.4024 per 1,000 gallons, effective January 1, 2024.¹ Union District proposes to decrease the water rates to its customers effective January 1, 2024, to reflect the decreased cost of purchased water from Morganfield.

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, Union District reported a water loss of 20.1372 percent.² Union District's application provides updated purchase and sales information for the period of November 2022 through October 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, Union District's unaccounted-for water loss is 16.40 percent for the updated period.³ Reduction of Union District's unaccounted-for water loss to 15 percent would result in an approximate \$17,162.71 decrease to purchased water expense.⁴ Potentially, Union District is paying approximately \$0.06 per

¹ TFS2023-00566 (Ky. PSC Dec. 13, 2023); Morganfield submitted the tariff on December 13, 2023, and the tariff was accepted for filing by the Commission by letter dated December 28, 2023, with an effective date of January 1, 2024.

² *Annual Report of Union District to the Public Service Commission for the Year Ended December 31, 2022* at 58.

³ Total Purchases (application PWA Form 1 at 2)	361,416,900
Less Total Sales (application PWA Form 1 at 2)	279,359,380
Less Plant Use (% determined from 2022 Annual Report)	22,800,708
Water Loss – Gallons	59,256,812
Water Loss – Percent	16.40%

⁴ Water loss above 15% is 1.40%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$1,229,684.86 times water loss above 15%) equals \$17,162.71.

1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁵ The cost of Union District's total water loss is \$201,615.44.⁶

Financial Condition and Rates

Based on a review of Commission records, Union District last sought a general base rate adjustment in 2022.⁷ Case No. 2022-00160 was filed pursuant to the Final Order in Case No. 2021-00180,⁸ and closed on May 5, 2023 with a required revenue increase of \$174,035 or 10.78 percent. Additionally, Union District was authorized to assess a monthly Water Loss Reduction Surcharge of \$1.72 per active meter for 48 months.⁹ The water loss reduction surcharge is expected to produce approximately \$45,463 annually, and a total of \$181,852 over the four-year period. Commission Staff recommends that Union District annually evaluate its financial performance to determine the necessity of a rate filing.

Purchased Water Adjustment Factor

In its application, Union District proposed a purchased water adjustment factor of (\$0.01) per 1,000 gallons. During the 12 months ended October 31, 2023, Union District purchased 361,416,900 gallons of water from Morganfield and sold 279,359,380 gallons

⁵ Potential purchased water expense reduction divided by sales (\$17,162.71/ (279,359,380/1,000)) equals \$0.0614 per 1,000 gallons.

⁶ Total water cost at new wholesale rate of \$1,229,684.86 times 16.3957% water loss equals \$201,615.44.

⁷ Case No. 2022-00160, *Electronic Application of Union County Water District for an Alternative Rate Adjustment* (Ky. PSC May 5, 2023), final Order.

⁸ Case No. 2021-00180, *Electronic Purchased Water Adjustment Filing of Union County Water District* (Ky. PSC June 7, 2022), final Order.

⁹ Case No. 2022-00160, *Electronic Application of Union County Water District for an Alternative Rate Adjustment* (Ky. PSC May 5, 2023), final Order.

of water to its customers. The decrease in the cost of purchased water from Morganfield is \$3,252.75, resulting in a purchased water adjustment factor of \$0.01 per 1,000 gallons.

The purchased water adjustment factor of (\$0.01) 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 Union District on and after January 1, 2024, because the rates are supported by evidence of the decrease in rates from Union District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

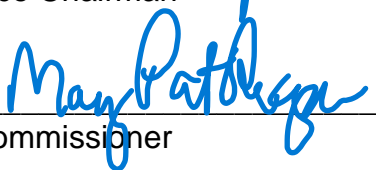
IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of (\$0.01) per 1,000 gallons is approved.
2. The rates proposed by Union District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Union District on and after January 1, 2024.
4. Within 20 days of the date of service of this Order, Union 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

ENTERED
JAN 26 2024 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00429 DATED JAN 26 2024

	Base Rate	New Rate	Decrease
Morganfield			
Purchases in Gallons	361,120,600	361,120,600	
Wholesale rate	<u>\$ 3.4114/1,000</u>	<u>\$ 3.4024/1,000</u>	
	\$1,232,937.61	\$1,229,684.86	\$3,252.75
Decreased water cost		\$3,252.75	

Decreased water cost	\$3,252.75
Divided by Gallons sold/1,000	<u>279,359,380</u>
Purchased water adjustment factor	(\$0.0116) per 1,000 Gallons

or (\$0.00001) per gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00429 DATED JAN 26 2024

The following rates and charges are prescribed for the customers in the area served by Union County 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- X 3/4-Inch Meter

First	2,000 Gallons	\$17.04	Minimum Bill
Next	3,000 Gallons	0.00856	Per Gallon
Next	5,000 Gallons	0.00812	Per Gallon
Next	15,000 Gallons	0.00773	Per Gallon
Next	25,000 Gallons	0.00740	Per Gallon
Next	50,000 Gallons	0.00696	Per Gallon
Next	100,000 Gallons	0.00651	Per Gallon
Next	100,000 Gallons	0.00607	Per Gallon
Over	300,000 Gallons	0.00563	Per Gallon

3/4-Inch Meter

First	5,000 Gallons	\$42.71	Minimum Bill
Next	5,000 Gallons	0.00812	Per Gallon
Next	15,000 Gallons	0.00773	Per Gallon
Next	25,000 Gallons	0.00740	Per Gallon
Next	50,000 Gallons	0.00696	Per Gallon
Next	100,000 Gallons	0.00651	Per Gallon
Next	100,000 Gallons	0.00607	Per Gallon
Over	300,000 Gallons	0.00563	Per Gallon

1-Inch Meter

First	10,000 Gallons	\$83.31	Minimum Bill
Next	15,000 Gallons	0.00773	Per Gallon
Next	25,000 Gallons	0.00740	Per Gallon
Next	50,000 Gallons	0.00696	Per Gallon
Next	100,000 Gallons	0.00651	Per Gallon

Next	100,000 Gallons	0.00607	Per Gallon
Over	300,000 Gallons	0.00563	Per Gallon

1 1/2-Inch Meter

First	25,000 Gallons	\$199.29	Minimum Bill
Next	25,000 Gallons	0.00773	Per Gallon
Next	50,000 Gallons	0.00740	Per Gallon
Next	100,000 Gallons	0.00696	Per Gallon
Next	100,000 Gallons	0.00607	Per Gallon
Over	300,000 Gallons	0.00563	Per Gallon

2-Inch Meter

First	50,000 Gallons	\$384.28	Minimum Bill
Next	50,000 Gallons	0.00740	Per Gallon
Next	100,000 Gallons	0.00696	Per Gallon
Next	100,000 Gallons	0.00607	Per Gallon
Over	300,000 Gallons	0.00563	Per Gallon

2 1/2-Inch Meter

First	75,000 Gallons	\$558.18	Minimum Bill
Next	25,000 Gallons	0.00740	Per Gallon
Next	100,000 Gallons	0.00696	Per Gallon
Next	100,000 Gallons	0.00607	Per Gallon
Over	300,000 Gallons	0.00563	Per Gallon

3-Inch Meter

First	100,000 Gallons	\$732.09	Minimum Bill
Next	100,000 Gallons	0.00696	Per Gallon
Next	100,000 Gallons	0.00607	Per Gallon
Over	300,000 Gallons	0.00563	Per Gallon

4-Inch Meter

First	200,000 Gallons	\$1,383.41	Minimum Bill
Next	100,000 Gallons	0.00607	Per Gallon
Over	300,000 Gallons	0.00563	Per Gallon

6-Inch Meter

First	300,000 Gallons	\$1,990.42	Minimum Bill
Over	300,000 Gallons	0.00563	Per Gallon

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