

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF) CASE NO.
NORTH MCLEAN COUNTY WATER DISTRICT) 2019-00023

ORDER

On January 14, 2019, North McLean County Water District (North McLean District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2017 Annual Report, North McLean District reported a water loss of 18.6006 percent.² North McLean District's application provides updated purchase and sales information for a more current period than the 2017 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 2017 Annual Report,³ North McLean District's unaccounted-for water

¹ KRS 278.015; 807 KAR 5:068.

² 2017 Annual Report at 56.

³ 2017 Annual Report, Water Statistics, line 21, divided by line 4, (117,000 divided by 132,141,000) equals 0.009 percent.

loss is determined to be 15.6672 percent for the updated period.⁴ Reduction of North McLean District's unaccounted-for water loss to 15 percent would result in an approximate \$104.24⁵ decrease to purchased water expense. Potentially, North McLean District is paying approximately \$0.0010 per 1,000 gallons sold, for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent threshold.⁶

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

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

1. North McLean District purchases water from McLean County Regional Water (McLean County), West Daviess County Water District (West Daviess District) and Ohio County Water District (Ohio County District).

⁴ Total Purchases (application PWA Form 1 at 2)	129,541,000
Less Total Sales (application PWA Form 1 at 2)	109,130,900
Less plant use (% determined from 2017 Annual Report)	<u>114,698</u>
Water loss - gallons	20,295,402
Water loss - percent	15.6672

⁵ Water loss above 15 percent is 0.6672 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$104.24

⁶ Potential purchased water expense reduction divided by sales (\$104.24/(109,130,900/1,000) equals \$0.0010/1,000.

2. West Daviess District notified North McLean District that its wholesale volumetric water rate would increase from \$2.41 per 1,000 gallons to \$3.10 effective January 1, 2019.⁷ North McLean District proposes to increase the water rates to its customers effective February 10, 2019, to reflect the increased cost of purchased water from West Daviess District.

3. North McLean District proposed a purchased water adjustment factor of \$0.04 per 1,000 gallons in its application.

4. During the 12 months ended September 30, 2018, North McLean District purchased 5,040,000 gallons of water from West Daviess District, 124,481,000 gallons of water from McLean County and 20,000 gallons of water from Ohio County District. During the same period, North McLean District sold 109,130,900 gallons of water. The increase in the cost of purchased water is \$3,477.67, resulting in a purchased water adjustment factor of \$0.04 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.04 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable, and should be approved.

6. North McLean District misapplied the purchased water adjustment factor to the last step in its rate design.

7. North McLean District's proposed rates should be denied.

⁷ TFS 2018-00531 (Ky. PSC filed Nov. 21, 2018); the tariff was accepted for filing by the Commission by letter dated Dec. 17, 2018.

8. 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 North McLean District on and after February 10, 2019.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.04 per 1,000 gallons is approved.
2. The rates proposed by North McLean District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North McLean District on and after February 10, 2019.
4. Within 20 days of the date of entry of this Order, North McLean 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 hereby closed and will be removed from the Commission's docket.

By the Commission

ENTERED
JAN 24 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2019-00023

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00023 DATED **JAN 24 2019**

	New Rate	Base Rate
McLean Regional		
Purchases in Gallons	124,481,000	124,481,000
Wholesale rate	<u>NO CHANGE</u>	<u>NO CHANGE</u>
West Daviess		
Purchases in Gallons	5,040,000	5,040,800
Wholesale rate	<u>\$3.10/1,000</u>	<u>\$2.41/1,000</u>
	\$15,624.00	\$12,146.33
Ohio County		
Purchases in Gallons	20,000	20,000
Wholesale rate	<u>NO CHANGE</u>	<u>NO CHANGE</u>
Total	\$15,624.00	\$12,146.33
Increased water cost		\$ 3,477.67
Increased water cost		\$ 3,477.67
Divided by Gallons sold/1,000		<u>109,130,900</u>
Purchased water adjustment factor		\$ 0.0319 per 1,000 Gallons
		or \$ 0.04 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00023 DATED **JAN 24 2019**

The following rates and charges are prescribed for the customers in the area served by North McLean 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

First	2,000	Gallons	\$18.36	Minimum bill
Next	8,000	Gallons	6.66	per 1,000 Gallons
Next	30,000	Gallons	6.04	per 1,000 Gallons
Over	40,000	Gallons	5.45	per 1,000 Gallons

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