

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF UNION COUNTY	)	2022-00021
WATER DISTRICT	)	

ORDER

On January 19, 2022, Union County Water District (Union District) tendered a request for Commission approval to adjust Union District's rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. On January 20, 2022, the Commission notified Union District that its application was rejected for certain filing deficiencies. Union District submitted further documentation to correct the filing deficiency, and the application was accepted for filing as of January 27, 2022.

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 rates 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 increase in rates. The Commission shall approve the filing by order after the above documents are filed.

## DISCUSSION

### Unaccounted-for Water

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 2020 Annual Report filed with the Commission, Union District reported a water loss of 13.2038 percent.<sup>1</sup> Union District's application provides updated purchase and sales information for a more current period than the 2020 Annual Report. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2020 Annual Report, Union District's unaccounted-for water loss is 19.9785<sup>2</sup> percent for the updated period.<sup>3</sup> Reduction of Union District's unaccounted-for water loss to 15 percent would result in an approximate \$47,679.24 decrease to purchased water expense.<sup>4</sup> Potentially, Union District is paying approximately \$0.1804 per 1,000 gallons sold for expenses associated with unaccounted-

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<sup>1</sup> *Annual Report of Union District to the Public Service Commission* (Annual Report of Union District) for the Year Ending December 31, 2020 at 57.

<sup>2</sup> Water loss of 71,064,621 gallons divided by total water purchased of 355,706,000 gallons equals 19.9785% of purchased water loss.

<sup>3</sup> Total Purchases (application PWA Form 1 at 2)	355,706,000
Less Total Sales (application PWA Form 1 at 2)	264,337,681
Less Plant Use (% determined from 2020 Annual Report)	20,303,698
Water Loss – Gallons	71,064,621
Water Loss – Percent	19.9785%

<sup>4</sup> Water loss above 15 percent is 4.9785 percent, potential purchased water expensed reduction (Total water cost at new wholesale rate of \$957,702.83 times water loss above 15 percent) = \$47,679.24

for water loss in excess of the 15 percent threshold.<sup>5</sup> Union District's annual expense due to a 19.9785 percent water loss is \$191,334.66.<sup>6</sup>

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

### Financial Condition and Rates

In Case No. 2021-00180, the Commission Ordered Union District to file an application for a rate adjustment by December 7, 2021.<sup>7</sup> In Case No. 2021-00211, an investigation of Union District's financial and operational condition was initiated, due in part to Union District's failure to comply with the Commission's Order.<sup>8</sup> The Commission notes that based on a current review of Union District's annual and audit reports, it is apparent that Union District has been consistently operating with negative net income

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<sup>5</sup> Potential purchased water expense reduction divided by sales ( $\$47,679.24 / (264,337,681 / 1,000)$ ) equals \$0.1804 per 1,000 gallons.

<sup>6</sup> Total water cost at new wholesale rate of \$957,702.83 times 0.199785 (total water loss percentage).

<sup>7</sup> Case No. 2021-00180, *Electronic Purchased Water Adjustment Filing of Union County Water District* (Ky. PSC June 7, 2021).

<sup>8</sup> Case No. 2021-00211, *Electronic Investigation into the Financial and Operational Condition of the Union County Water District* (Ky. PSC June 7, 2021).

over the last five years.<sup>9</sup> The Commission remains concerned that Union District is using noncash items such as depreciation to meet operating costs.

Year	2016	2017	2018	2019	2020
Net Income before Contributions	\$ (242,708)	\$ (265,787)	\$ (296,305)	\$ (243,902)	\$ (437,499)
Add: Depreciation Expense	311,362	314,364	322,769	293,825	302,482
Cash Basis Income	\$ 68,654	\$ 48,577	\$ 26,464	\$ 49,923	\$ (135,017)

Year	2016	2017	2018	2019	2020
Cash and Cash Equivalents	\$ 401,699	\$ 296,197	\$ 385,099	\$ 383,457	\$ 291,945
Restricted Funds - Sinking, Depreciation	196,572	136,006	180,546	141,443	46,484

As of the date of this Order, Union District has not filed the rate adjustment previously Ordered by the Commission. The Commission finds that Union District should comply with the June 7, 2021 Order in Case No. 2021-00180 and file its rate case application as soon as possible.

### FINDINGS

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

1. Union District purchases water from the city of Morganfield, Kentucky (Morganfield).
2. Morganfield notified Union District that its wholesale rate would increase from \$2.5542 per 1,000 gallons to \$2.6924 per 1,000 gallons, effective January 1, 2022. Union District proposes to increase the water rates to its customers effective January 1, 2022, to reflect the increased cost of purchased water from Morganfield.

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<sup>9</sup> 2020 Annual Report of Union District at 20–21; 2019 Annual Report of Union District at 20–21; 2018 Annual Report of Union District at 20–21; 2017 Annual Report of Union District at 19–20; and 2016 Annual Report of Union District at 19–20.

3. Union District proposed a purchased water adjustment factor of \$0.19 per 1,000 gallons in its application.

4. During the 12 months ended October 2021, Union District purchased 355,706,000 gallons of water from Morganfield. During the same period, Union District sold 264,337,681 gallons of water. The increase in the cost of purchased water is \$49,158.56, resulting in a purchased water adjustment factor of \$0.19 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.19 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved because the water adjustment factor is supported by evidence of the increase 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.

6. Union District's proposed rates are 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 Union District on and after January 1, 2022, because the rates are supported by evidence of the increase 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.

8. Union District should file an application for a traditional adjustment in rates or an alternative rate adjustment as ordered in Case No. 2021-00180 without delay.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.19 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, 2022.

4. Within 20 days of the date of entry 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. Union District shall file an application for a traditional adjustment in rates or an alternative rate adjustment as ordered in Case No. 2021-00180 without delay.

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

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By the Commission

ENTERED  
FEB 24 2022 rCS  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2022-00021

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00021 DATED FEB 24 2022

	Base Rate	New Rate	Increase
Morganfield			
Purchases in Gallons	355,706,000	355,706,000	
Wholesale rate	<u>\$ 2.5542/1,000</u>	<u>\$ 2.6924/1,000</u>	
	\$908,544.27	\$957,702.83	\$49,158.56
Increased water cost		\$49,158.56	
Increased water cost		\$49,158.56	
Divided by Gallons sold/1,000		<u>264,337,681</u>	
Purchased water adjustment factor		\$ 0.1860 per 1,000 Gallons	

or \$0.19 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00021 DATED FEB 24 2022

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-Inch Meter

First	2,000 Gallons	\$13.79	Minimum Bill
Next	3,000 Gallons	0.00689	Per Gallon
Next	5,000 Gallons	0.00649	Per Gallon
Next	15,000 Gallons	0.00614	Per Gallon
Next	25,000 Gallons	0.00584	Per Gallon
Next	50,000 Gallons	0.00544	Per Gallon
Next	100,000 Gallons	0.00504	Per Gallon
Next	100,000 Gallons	0.00464	Per Gallon
Over	300,000 Gallons	0.00424	Per Gallon

3/4-Inch Meter

First	5,000 Gallons	\$34.45	Minimum Bill
Next	5,000 Gallons	0.00649	Per Gallon
Next	15,000 Gallons	0.00614	Per Gallon
Next	25,000 Gallons	0.00584	Per Gallon
Next	50,000 Gallons	0.00544	Per Gallon
Next	100,000 Gallons	0.00504	Per Gallon
Next	100,000 Gallons	0.00464	Per Gallon
Over	300,000 Gallons	0.00424	Per Gallon

1-Inch Meter

First	10,000 Gallons	\$66.90	Minimum Bill
Next	15,000 Gallons	0.00614	Per Gallon
Next	25,000 Gallons	0.00584	Per Gallon
Next	50,000 Gallons	0.00544	Per Gallon
Next	100,000 Gallons	0.00504	Per Gallon
Next	100,000 Gallons	0.00464	Per Gallon
Over	300,000 Gallons	0.00424	Per Gallon

1 1/2-Inch Meter

First	25,000 Gallons	\$159.00	Minimum Bill
Next	25,000 Gallons	0.00584	Per Gallon
Next	50,000 Gallons	0.00544	Per Gallon
Next	100,000 Gallons	0.00504	Per Gallon
Next	100,000 Gallons	0.00464	Per Gallon
Over	300,000 Gallons	0.00424	Per Gallon

2-Inch Meter

First	50,000 Gallons	\$305.00	Minimum Bill
Next	50,000 Gallons	0.00544	Per Gallon
Next	100,000 Gallons	0.00504	Per Gallon
Next	100,000 Gallons	0.00464	Per Gallon
Over	300,000 Gallons	0.00424	Per Gallon

2 1/2-Inch Meter

First	75,000 Gallons	\$440.99	Minimum Bill
Next	25,000 Gallons	0.00544	Per Gallon
Next	100,000 Gallons	0.00504	Per Gallon
Next	100,000 Gallons	0.00464	Per Gallon
Over	300,000 Gallons	0.00424	Per Gallon

3-Inch Meter

First	100,000 Gallons	\$576.99	Minimum Bill
Next	100,000 Gallons	0.00504	Per Gallon
Next	100,000 Gallons	0.00464	Per Gallon
Over	300,000 Gallons	0.00424	Per Gallon

4-Inch Meter

First	200,000 Gallons	\$1,080.98	Minimum Bill
Next	100,000 Gallons	0.00464	Per Gallon
Over	300,000 Gallons	0.00424	Per Gallon

6-Inch Meter

First	300,000 Gallons	\$1,544.97	Minimum Bill
Over	300,000 Gallons	0.00424	Per Gallon

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