

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MORGAN COUNTY)	2022-00022
WATER DISTRICT)	

ORDER

On January 20, 2022, Morgan County Water District (Morgan District) tendered its application requesting Commission approval to adjust Morgan District's rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. On January 21, 2022, the Commission notified Morgan District that its application was rejected because of certain filing deficiencies. Morgan District submitted further documentation to correct the filing deficiency, and the application was accepted for filing as of January 28, 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 rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

DISCUSSION

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 2020 Annual Report filed with the Commission, Morgan District reported a water loss of 35.5039 percent.¹ Morgan District's application provided 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, Morgan District's unaccounted-for water loss is 31.1309 percent for the updated period.² Reduction of Morgan District's unaccounted-for water loss to 15 percent would result in an approximate \$112,388.63 decrease to purchased water expense.³ Potentially, Morgan District is paying approximately \$.9349 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁴ Morgan District's annual expense due to 31.1309 percent water loss is \$216,897.96.⁵

¹ *Annual Report of Morgan County Water District to the Public Service Commission for the Year Ended December 31, 2020* (2020 Annual Report) at 57.

² Total Purchases (application PWA Form 1 at 2)	232,090,000
Less Total Sales (application PWA Form 1 at 2)	120,213,000
Less Plant Use (% determined from 2020 Annual Report)	39,625,285
Water Loss – Gallons	72,251,715
Water Loss – Percent	31.1309%

³ Water loss above 15% is 16.1309%, potential purchased water expensed reduction (Total water cost at new wholesale rate of \$696,728.84 times water loss above 15%) = \$112,388.63.

⁴ Potential purchased water expense reduction divided by sales (\$112,388.63/ (120,213,000/1,000)) equals \$0.9349 per 1,000 gallons.

⁵ Total water cost at new wholesale rate of \$696,728.84 times 0.311309 (total water loss percentage).

To address Morgan District's unaccounted-for water loss, the Commission approved Morgan District to develop and collect a surcharge to fund the utility's unaccounted-for water loss reduction plan.⁶ On June 9, 2021, the Commission initiated a proceeding to monitor Morgan District's unaccounted-for water loss surcharge proceeds and compliance with the utility's water loss reduction plan.⁷ Morgan District filed a Corrective Action Plan on October 7, 2021.⁸ Case No. 2021-00206 is an active case, with Morgan District filing monthly status reports.

Financial Condition and Rates

Morgan District filed an Alternative Rate Filing on December 10, 2020,⁹ in compliance with the November 22, 2019 Order in Case No. 2019-00041.¹⁰ The Commission approved the establishment of a monthly water loss control surcharge of \$5.87 per meter for 48 months beginning June 9, 2021.¹¹ An increase to rates of approximately 23.87 percent was approved in addition to the water loss control surcharge.¹²

⁶ Case No. 2020-00386, *Electronic Application of Morgan County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Morgan District Rate Adjustment) (Ky. PSC June 9, 2021).

⁷ Case No. 2021-00206, *Electronic Morgan County Water District's Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC June 9, 2021).

⁸ Case No. 2021-00206, *Morgan County Water District* (filed Oct. 7, 2021), Morgan County Water District Corrective Action Plan.

⁹ Case No. 2020-00386, Morgan District Rate Adjustment (Ky. PSC June 9, 2021).

¹⁰ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019).

¹¹ Case No. 2020-00386, Morgan District Rate Adjustment (Ky. PSC June 9, 2021), Order at 5 and 24.

¹² Case No. 2020-00386, Morgan District Rate Adjustment (Ky. PSC June 9, 2021), Order at 22.

FINDINGS

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

1. Morgan District purchases water from the city of West Liberty (West Liberty) and Cave Run Water Commission (Cave Run Water).

2. Cave Run Water notified Morgan District that its wholesale rate would increase from \$2.67 per 1,000 gallons to \$2.90 per 1,000 gallons, effective December 23, 2021. Morgan District proposed to increase the water rates to its customers effective February 15, 2022, to reflect the increased cost of purchased water from Cave Run Water.

3. Morgan District proposed a purchased water adjustment factor of \$0.20 per 1,000 gallons in its application.

4. During the 12 months ended December 31, 2021, Morgan District purchased 131,488,000 gallons of water from West Liberty and 100,602,000 gallons of water from Cave Run Water. During the same period, Morgan District sold 120,213,000 gallons of water. The increase in the cost of purchased water is \$23,138.46, resulting in a purchased water adjustment factor of \$0.20 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.20 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 Morgan District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

6. Morgan 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 Morgan District on and after February 15, 2022, because the rates are supported by evidence of the increase in rates from Morgan District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.20 per 1,000 gallons is approved.

2. The rates proposed by Morgan District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Morgan District on and after February 15, 2022.

4. Within 20 days of the date of entry of this Order, Morgan 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.

By the Commission

ENTERED
FEB 24 2022 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2022-00022

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00022 DATED FEB 24 2022

	Base Rate	New Rate	Increase
West Liberty			
Purchases in Gallons	131,488,000	131,488,000	
Wholesale rate	<u>\$ 3.08/1,000</u>	<u>\$ 3.08/1,000</u>	
	\$404,983.04	\$404,983.04	N/A
Cave Run Water			
Purchases in Gallons	100,602,000	100,602,000	
Wholesale rate	<u>\$2.67/1000</u>	<u>\$2.90/1000</u>	
	\$268,607.34	\$291,745.80	\$23,138.46
Increased water cost		\$23,138.46	
Increased water cost		\$23,138.46	
Divided by Gallons sold/1,000		<u>120,213,000</u>	
Purchased water adjustment factor		\$ 0.1925 per 1,000 Gallons	

or \$ 0.20 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2022-00022 DATED FEB 24 2022

The following rates and charges are prescribed for the customers in the area served by Morgan County Water 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

5/8- x 3/4-Inch Meter

First	2,000 Gallons	\$	31.89 Minimum Bill
Next	3,000 Gallons		0.01186 Per Gallon
Next	5,000 Gallons		0.01100 Per Gallon
Next	5,000 Gallons		0.01015 Per Gallon
Over	15,000 Gallons		0.00929 Per Gallon

1-Inch Meter

First	5,000 Gallons	\$	67.62 Minimum Bill
Next	5,000 Gallons		0.01100 Per Gallon
Next	5,000 Gallons		0.01015 Per Gallon
Over	15,000 Gallons		0.00929 Per Gallon

2-Inch Meter

First	15,000 Gallons	\$	171.93 Minimum Bill
Over	15,000 Gallons		0.00929 Per Gallon

6-Inch Meter

First	100,000 Gallons	\$	963.03 Minimum Bill
Over	100,000 Gallons		0.00929 Per Gallon

Wholesale Rates

City of Campton	\$	0.00548 Per Gallon
City of Frenchburg		0.00548 Per Gallon

*Jason Pennell
Kentucky Rural Water Association
Post Office Box 1424
1151 Old Porter Pike
Bowling Green, KENTUCKY 42102-1424

*Shannon Elam
General Manager
Morgan County Water District
1009 Hwy 172
West Liberty, KY 41472

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1009 Hwy 172
West Liberty, KY 41472