

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MARION COUNTY)	2022-00346
WATER DISTRICT)	

ORDER

On October 14, 2022, Marion County Water District (Marion 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. On October 27, 2022, Marion District submitted revised exhibits to its application to clarify inconsistent calculations identified by Commission Staff.¹

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.

¹ The revised exhibits identified fixed per meter rates that the relevant wholesale supplier has not adjusted and eliminated a cost summary that included the per meter rates. The revised exhibits did not modify the proposed purchase water adjustment.

DISCUSSION AND FINDINGS

Marion District purchases water from Campbellsville Municipal Water and Sewer (Campbellsville) and Lebanon Water Works Company (Lebanon). Campbellsville notified Marion District that its wholesale rate would increase from \$2.54 per 1,000 gallons to \$2.95 per 1,000 gallons, effective August 19, 2022. In Case No. 2022-00278, the Commission initially suspended Campbellsville's proposed increase in the wholesale rate charged to Marion District, but it ultimately approved the proposed rate increase to be effective September 28, 2022.² Marion District proposes to increase the water rates to its customers effective November 1, 2022, to reflect the increased cost of purchased water from Campbellsville.

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 2021 Annual Report filed with the Commission, Marion District reported a water loss of 23.6983 percent.³ Marion District's application provides updated purchase and sales information for the period of October 2021 through September 2022. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2021 Annual Report, Marion District's unaccounted-for water loss is 21.9140 percent for the updated period.⁴ Reduction of Marion District's

² Case No. 2022-00278, *Electronic Tariff Filing of Campbellsville Municipal Water and Sewer System Revising Its Wholesale Water Service Rates* (Ky. PSC Sept. 28, 2022), Order.

³ *Annual Report of Marion District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

⁴ Total Purchases (application PWA Form 1 at 2)

517,645,434

unaccounted-for water loss to 15 percent would result in an approximate \$155,270.99 decrease to purchased water expense.⁵ Potentially, Marion District is paying approximately \$0.3878 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁶ The cost of Marion District’s total water loss is \$492,133.14.⁷ The table below is a comparison of Marion District’s reported water loss percentages for the most recent two-year period, cost to purchase and pump water, cost of water loss in excess of the 15 percent limitation, and the total cost of water lost.

Year	Reported Percentage Water Loss	Purchased Water and Power ⁸	Cost of Water Loss in Excess of 15%	Total Cost of Water Loss
2020	19.67%	\$1,953,756	\$91,231	\$384,294
2021	23.70%	\$2,236,545	\$194,541	\$530,023

The Commission strongly encourages Marion District to develop a formal water loss reduction plan to reduce its unaccounted-for water loss. The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission is concerned that Marion

Less Total Sales (application PWA Form 1 at 2)	400,423,297
Less Plant Use (% determined from 2021 Annual Report)	3,785,541
Water Loss – Gallons	113,436,596
Water Loss – Percent	21.9140%

⁵ Water loss above 15% is 0.06914, potential purchased water expense reduction (Total water cost at new wholesale rate of \$2,245,747.63 times water loss above 15%) equals \$155,270.99.

⁶ Potential purchased water expense reduction divided by sales (\$155,270.99/ (400,423,297/1,000)) equals \$0.3878 per 1,000 gallons.

⁷ Total water cost at new wholesale rate of \$2,245,747.63 times 21.9140% water loss equals \$492,133.14.

⁸ *Annual Report of Marion District to the Public Service Commission for the Calendar Year Ended December 31, 2020* at 50; and *Annual Report of Marion District to the Public Service Commission for the Calendar Year Ended December 31, 2021* at 50.

District's unaccounted-for water loss is increasing, and that therefore the cost to Marion district and its customers is increasing. The Commission encourages Marion District to act as soon as practicable to develop a plan to address the problem. Further, once Marion District develops a plan to combat its unaccounted-for water loss, the Commission encourages Marion District to propose a monthly water loss reduction surcharge. Failure by Marion 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

Based on a review of Commission records, Marion District's most recent general base rate case was filed in 2021.⁹ An 18.87 percent rate increase was approved in the Alternative Rate Filing (ARF) as of May 23, 2022.

Purchased Water Adjustment Factor

In its application, Marion District proposed a purchased water adjustment factor of \$0.01 per 1,000 gallons. During the 12 months ended September 30, 2022, Marion District purchased 3,579,300 gallons of water from Campbellsville and 514,066,134 gallons of water from Lebanon and sold 400,423,297 gallons of water to its customers. The increase in the cost of purchased water from Campbellsville is \$1,467.52, resulting in a purchased water adjustment factor of \$0.01 per 1,000 gallons. No rate changes occurred from Lebanon.

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

⁹ Case No. 2021-00394, *Electronic Application of Marion County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (filed Oct. 27, 2021).

reasonable and should be approved for water service rendered by Marion District on and after November 1, 2022, because the rates are supported by evidence of the increase in rates from Marion 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 Marion District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Marion District on and after November 1, 2022.
4. Within 20 days of the date of service of this Order, Marion 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

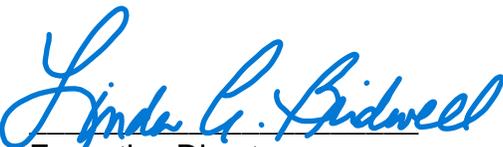

Chairman

Vice Chairman


Commissioner



ATTEST:


Executive Director

Case No. 2022-00346

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00346 DATED NOV 09 2022

	Base Rate	New Rate	Change
<u>Campbellsville</u>			
Purchases in Gallons	3,579,300	3,579,300	
Wholesale rate	<u>\$2.54/1,000</u>	<u>\$2.95/1,000</u>	
Sub-total	\$ 9,091.42	\$ 10,558.94	\$ 1,467.52
Monthly Meter Service Charge per meter		\$18.00 ¹⁰	
Meters		<u>3</u>	
Subtotal		<u>\$54.00</u>	
Annual Total (12 months)		\$648.00	no change
Total Water Purchased		517,645,434	
Total Cost of Water from All Suppliers	\$ 2,244,280.11	\$ 2,245,747.63	\$ 1,467.52
Increased water cost		\$ 1,467.52	
Increased water cost		\$ 1,467.52	
Divided by Gallons sold/1,000		<u>400,423,297</u>	
Purchased water adjustment factor		\$ 0.00367 per 1,000 Gallons	
		or \$ 0.01 per 1,000 Gallons	

¹⁰ Corrected Application, (filed October 27, 2022)

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00346 DATED NOV 09 2022

The following rates and charges are prescribed for the customers in the area served by Marion 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	\$ 8.85 Minimum Bill
1-inch Meter	\$ 19.26 Minimum Bill
2-inch Meter	\$ 30.53 Minimum Bill
3-inch Meter	\$ 48.42 Minimum Bill
4-inch Meter	\$ 76.80 Minimum Bill
6-inch Meter	\$ 193.28 Minimum Bill
All usage	\$ 0.00819 Per Gallon

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