

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MEADE COUNTY)	2022-00409
WATER DISTRICT)	

ORDER

On November 28, 2022, Meade County Water District (Meade 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 increases its rates, the water district has the authority to increase its rates commensurate with the wholesale supplier. A water district is also authorized to pass through a decrease in a suppliers' wholesale rate through a PWA pursuant to 807 KAR 5:068, and a water district is required to decrease its rates commensurate with a decrease in a supplier's wholesale rate if the water district previously revised its rates pursuant to 807 KAR 5:068 to reflect a change in a supplier's wholesale rate.¹

When requesting a PWA based on a change in a suppliers' wholesale rate, a water district must file an application for a PWA, which must include, among other things, copy of the notice from the wholesale supplier showing the change in the wholesale rate and

¹ 807 KAR 5:068, Section 2(2).

a statement of the volume of purchased water used to calculate the rate adjustment.² The Commission shall approve or deny the application for a PWA by order within 30 days after the application is filed.³

DISCUSSION AND FINDINGS

Meade District purchases water from Hardin County Water District No. 1 (Hardin District No. 1). Hardin District No. 1 notified Meade District that its wholesale rate would increase from \$2.36 per 1,000 gallons to \$3.33 per 1,000 gallons, and the monthly meter service charge would increase from \$296.18 per 6-inch meter to \$418.21 per 6-inch meter effective December 1, 2022.⁴ The wholesale rates were approved by Commission Order in Case No. 2022-00337 for service rendered on and after December 1, 2022.⁵ Meade District proposes to increase the water rates to its customers effective December 1, 2022, to reflect the increased cost of purchased water from Hardin District No. 1.

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

² See 807 KAR 5:068, Section 1(1) (defining what must be included in a purchase water adjustment application).

³ 807 KAR 5:068, Section 6; KRS 278.015.

⁴ Case No. 2022-00337, *Electronic Application of Hardin County Water District #1 for a Certificate of Public Convenience and Necessity Authorizing the Construction of Additions and Improvements to its Water System, Approval of Revised Water Service Rates and Charges, and Authorizing the Issuance of Certain Securities Pursuant to the Provisions of KRS 278.023 and 807 KAR 5:069*, (Oct. 12, 2022), EXHIBIT_6_-_1_-_PUBLIC_NOTICE.pdf.

⁵ Case No. 2022-00337, *Electronic Application of Hardin County Water District #1 for a Certificate of Public Convenience and Necessity Authorizing the Construction of Additions and Improvements to its Water System, Approval of Revised Water Service Rates and Charges, and Authorizing the Issuance of Certain Securities Pursuant to the Provisions of KRS 278.023 and 807 KAR 5:069*, (Ky. PSC Dec. 9, 2022), Order at ordering paragraph 1.

operations. In its 2021 Annual Report filed with the Commission, Meade District reported a water loss of 15.9256 percent.⁶ Meade District’s application provides updated purchase and sales information for the period of November 2021 through October 2022. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2021 Annual Report, Meade District’s unaccounted-for water loss is 18.78 percent for the updated period.⁷ Reduction of Meade District’s unaccounted-for water loss to 15 percent would result in an approximate \$50,188.63 decrease to purchased water expense.⁸ Potentially, Meade District is paying approximately \$0.16 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁹ The cost of Meade District’s total water loss is \$249,191.93.¹⁰

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Meade District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Meade District to make significant progress

⁶ *Annual Report of Meade County District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

⁷ Total Purchases (application PWA Form 1 at 2)	398,405,000
Less Total Sales (application PWA Form 1 at 2)	315,156,000
Less Plant Use (% determined from 2021 Annual Report)	8,418,298
Water Loss – Gallons	74,830,702
Water Loss – Percent	18.78%

⁸ Water loss above 15% is 3.78%, potential purchased water expense reduction (Total purchased water cost at new wholesale rate of \$1,326,688.65 times water loss above 15%) equals \$50,188.63.

⁹ Potential purchased water expense reduction divided by sales (\$50,188.63/ (315,156,000/1,000)) equals \$0.1593 per 1,000 gallons.

¹⁰ Total water cost at new wholesale rate of \$1,326,688.65 times 18.78% water loss equals \$249,191.93.

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, Meade District most recently sought a general base rate adjustment in 2019.¹¹ Meade District applied to increase rates in order to finance a water system improvement project in Case No. 2021-00087,¹² which the Commission approved on March 25, 2021. Meade District also filed a refinancing case in March of 2021, in which the Commission added an ordering paragraph in the final Order requiring the utility to file for an adjustment in base rates or file for an alternative rate filing on or before April 13, 2024.¹³

The Commission finds that Meade District is ordered to comply with the April 13, 2021 Order in Case No. 2021-00124 by filing, on or before April 13, 2024, an application for a general base rate adjustment or an alternative rate adjustment to ensure that its revenue is sufficient to support adequate and reliable service, or, in the alternative, file a formal motion with a detailed analysis of its rates and revenues and a statement of the reasons why a rate case is not necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Meade District from this requirement.

¹¹ Case No. 2019-00044, *Electronic Application of Meade County Water District for an Alternative Rate Adjustment* (Ky. PSC Apr. 9, 2019), Order.

¹² Case No. 2021-00087, *Electronic Application of Meade County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Mar. 25, 2021), Order.

¹³ Case No. 2021-00124, *Electronic Application of Meade County Water District for Approval to Enter into a Lease Agreement with the Kentucky League of Cities Leasing Trust, in an Approximate Principal Amount of \$2,260,000 for the Purpose of Refinancing Outstanding Obligations of the Meade County Water District* (Ky. PSC Apr. 13, 2021), Order.

Purchased Water Adjustment Factor

In its application, Meade District proposed a purchased water adjustment factor of \$1.245 per 1,000 gallons. During the 12 months ended October 31, 2022, Meade District purchased 398,405,000 gallons of water from Hardin District No. 1 and sold 315,156,000 gallons of water to its customers. The increase in the cost of purchased water from Hardin District No. 1 is \$392,310.29, resulting in a purchased water adjustment factor of \$1.245 per 1,000 gallons.

The purchased water adjustment factor of \$1.245 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 Meade District on and after December 1, 2022, because the rates are supported by evidence of the increase in rates from Meade 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 \$1.245 per 1,000 gallons is approved.
2. The rates proposed by Meade District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Meade District on and after December 1, 2022.
4. Within 20 days of the date of service of this Order, Meade District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

5. On or before April 13, 2024, Meade District shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Meade District from this requirement.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00409 DATED DEC 20 2022

	Base Rate	New Rate	Increase
Hardin District No. 1			
Purchases in Gallons	398,405,000	398,405,000	
Rate per 1,000 Gallons	<u>\$ 2.36/1,000</u>	<u>\$ 3.33/1,000</u>	
Sub-total	\$940,235.80	\$1,326,688.65	\$ 386,452.85
Months	12	12	
Monthly Service Charge	\$296.18	\$ 418.21	
Number of Meters	<u>4</u>	<u>4</u>	
Sub-total	\$14,216.64	\$ 20,074.08	\$ 5,857.44
Total	\$ 954,452.44	\$1,346,762.73	\$392,310.29

Increased water cost \$ 392,310.29

Increased water cost \$ 392,310.29

Divided by Gallons sold/1,000 315,156,000

Purchased water adjustment factor \$ 1.2448 per 1,000 Gallons

or \$ 1.245 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00409 DATED DEC 20 2022

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

All Meter Sizes

First	2,000 Gallons	23.23	Minimum Bill
Next	5,000 Gallons	0.01129	Per Gallon
Next	10,000 Gallons	0.01092	Per Gallon
Next	20,000 Gallons	0.01006	Per Gallon
Over	37,000 Gallons	0.00886	Per Gallon

Bulk Station Sales	0.00830	Minimum Bill
--------------------	---------	--------------

Wholesale Rate Volume Charge

Doe Valley Water System	0.00594	Per Gallon
Otter Creek Water System	0.00608	Per Gallon

*Meade County Water District
1003 Armory Place
P. O. Box 367
Brandenburg, KY 40108

*Brett Pyles
Manager
Meade County Water District
1003 Armory Place
P. O. Box 367
Brandenburg, KY 40108

*Dustin C Humphrey
Skeeters, Bennett, Wilson & Humphrey
550 W. Lincoln Trail Boulevard
Radcliff, KENTUCKY 40160

*Richard Shufelt
Skeeters, Bennett, Wilson & Humphrey
550 W. Lincoln Trail Boulevard
Radcliff, KENTUCKY 40160