

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF UNION COUNTY)	2024-00399
WATER DISTRICT)	

ORDER

On December 26, 2024, Union County Water District (Union 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 decreases its rates, the water district has the authority to decrease its rate commensurate with the wholesale supplier. The water district must file, within the statutory and regulatory deadlines, 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 AND FINDINGS

Union District purchases water from the city of Morganfield (Morganfield). Morganfield notified Union District that its wholesale rate would decrease \$0.1311 from

\$3.4024 per 1,000 gallons to \$3.2713 per 1,000 gallons, effective January 1, 2025.¹

Union District proposes to decrease the water rates to its customers effective January 1, 2025, to reflect the decreased cost of purchased water from Morganfield.

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, Union District reported a water loss of 19.3806 percent.² In its 2022 Annual Report filed with the Commission, Union District reported a water loss of 20.1372 percent.³ In its 2023 Annual Report filed with the Commission, Union District reported a water loss of 15.2982 percent.⁴ Union District's three-year water loss average is 18.2720 percent.⁵ The cost of Union District's total water loss using a three-year average is \$238,761.69.⁶

¹ TFS2024-00568 (Ky. PSC Dec. 6, 2024); Morganfield submitted the tariff on December 6, 2024, and the tariff was accepted for filing by the Commission by letter dated December 20, 2024, with an effective date of January 1, 2025.

² *Annual Report of Union District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

³ *Annual Report of Union District to the Public Service Commission for the Year Ended December 31, 2022* at 58.

⁴ *Annual Report of Union District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁵ $19.3806\% + 20.1372\% + 15.2982\% = 54.8160 / 3 \text{ years} = 18.2720\%$.

⁶ Total water cost at new wholesale rate of \$1,306,708 times 18.2720% water loss equals \$238,761.69.

In Union District's most recent rate case,⁷ the Commission approved a monthly water loss reduction surcharge of \$1.72 per active meter for 48 months to help lower system losses to more acceptable levels.⁸ On May 5, 2023, Case No. 2023-00119 was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established by Union District.⁹

Financial Condition and Rates

Based on a review of Commission records, Union District last sought a general base rate adjustment in 2022.¹⁰ Based upon a review of the annual and audit reports filed with the Commission, Union District's 2022 rate case increased revenue by \$174,035 or 10.78 percent. The Commission recommends that Union District monitor its operating performance annually to determine whether a rate adjustment is necessary. While the 2023 financial performance of Union District improved after its rate case, Union District still finished 2023 with a negative net utility income.¹¹ Union District should file a rate case at least every three to five years to ensure that the Commission has appropriate oversight of the utility's financial condition.

Purchased Water Adjustment Factor

In its application, Union District proposed a purchased water adjustment factor of (\$0.16) per 1,000 gallons. During the 12 months ended October 31, 2024, Union District

⁷ Case No. 2022-00160, *Electronic Application of Union County Water District for an Alternative Rate Adjustment* (Ky. PSC May 5, 2023), final Order.

⁸ Case No. 2022-00160, May 5, 2023 final Order at 27.

⁹ Case No. 2023-00119, *Electronic Union County Water District Unaccounted-for Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC May 5, 2023), opening Order.

¹⁰ Case No. 2022-00160, May 5, 2023 final Order.

¹¹ 2023 Annual Report at 21 and 2023 Audit Report at 7.

purchased 399,446,100 gallons of water from Morganfield and sold 330,386,166 gallons of water to its customers. The decrease in the cost of purchased water from Morganfield is \$52,367.38, resulting in a purchased water adjustment factor of (\$0.16) per 1,000 gallons.

The purchased water adjustment factor of (\$0.16) 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 Union District on and after January 1, 2025, because the rates are supported by evidence of the decrease 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.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of (\$0.16) 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, 2025.
4. Within 20 days of the date of service 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. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

Chairman

Ich Will Stay

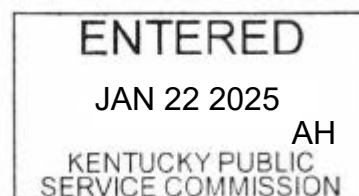
Commissioner

May Pat Regan

Commissioner

ATTEST:

Linda Brissett *RP*
Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00399 DATED JAN 22 2025

	Base Rate	New Rate	Change
<u>Morganfield</u>			
Purchases in Gallons	399,446,100	399,446,100	
Rate per 1,000 Gallons	<u>\$3.4024/1,000</u>	<u>\$3.2713/1,000</u>	
Subtotal	\$1,359,075.41	\$1,306,708.03	(\$52,367.38)
 Total	 \$1,359,075.41	 \$1,306,708.03	
 Decreased water cost			 (\$52,367.38)
 Decreased water cost		(\$52,367.38)	
Divided by Gallons sold/1,000		<u>330,386,166</u>	
Purchased water adjustment factor		(\$0.1585)	per 1,000 Gallons
		or (\$0.00016)	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00399 DATED JAN 22 2025

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 Rates

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$16.72	Minimum Bill
Next	3,000 Gallons	0.00840	Per Gallon
Next	5,000 Gallons	0.00796	Per Gallon
Next	15,000 Gallons	0.00757	Per Gallon
Next	25,000 Gallons	0.00724	Per Gallon
Next	50,000 Gallons	0.00680	Per Gallon
Next	100,000 Gallons	0.00635	Per Gallon
Next	100,000 Gallons	0.00591	Per Gallon
Over	300,000 Gallons	0.00547	Per Gallon

3/4-Inch Meter

First	5,000 Gallons	\$41.91	Minimum Bill
Next	5,000 Gallons	0.00796	Per Gallon
Next	15,000 Gallons	0.00757	Per Gallon
Next	25,000 Gallons	0.00724	Per Gallon
Next	50,000 Gallons	0.00680	Per Gallon
Next	100,000 Gallons	0.00635	Per Gallon
Next	100,000 Gallons	0.00591	Per Gallon
Over	300,000 Gallons	0.00547	Per Gallon

1-Inch Meter

First	10,000 Gallons	\$81.71	Minimum Bill
Next	15,000 Gallons	0.00757	Per Gallon
Next	25,000 Gallons	0.00724	Per Gallon
Next	50,000 Gallons	0.00680	Per Gallon
Next	100,000 Gallons	0.00635	Per Gallon
Next	100,000 Gallons	0.00591	Per Gallon
Over	300,000 Gallons	0.00547	Per Gallon

1 1/2-Inch Meter

First	25,000 Gallons	\$195.29	Minimum Bill
Next	25,000 Gallons	0.00757	Per Gallon
Next	50,000 Gallons	0.00724	Per Gallon
Next	100,000 Gallons	0.00680	Per Gallon
Next	100,000 Gallons	0.00591	Per Gallon
Over	300,000 Gallons	0.00547	Per Gallon

2-Inch Meter

First	50,000 Gallons	\$376.28	Minimum Bill
Next	50,000 Gallons	0.00724	Per Gallon
Next	100,000 Gallons	0.00680	Per Gallon
Next	100,000 Gallons	0.00591	Per Gallon
Over	300,000 Gallons	0.00547	Per Gallon

2 1/2-Inch Meter

First	75,000 Gallons	\$546.18	Minimum Bill
Next	25,000 Gallons	0.00724	Per Gallon
Next	100,000 Gallons	0.00680	Per Gallon
Next	100,000 Gallons	0.00591	Per Gallon
Over	300,000 Gallons	0.00547	Per Gallon

3-Inch Meter

First	100,000 Gallons	\$716.09	Minimum Bill
Next	100,000 Gallons	0.00680	Per Gallon
Next	100,000 Gallons	0.00591	Per Gallon
Over	300,000 Gallons	0.00547	Per Gallon

4-Inch Meter

First	200,000 Gallons	\$1,351.41	Minimum Bill
Next	100,000 Gallons	0.00591	Per Gallon
Over	300,000 Gallons	0.00547	Per Gallon

6-Inch Meter

First	300,000 Gallons	\$1,942.42	Minimum Bill
Over	300,000 Gallons	0.00547	Per Gallon

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