

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MEADE COUNTY)	2025-00029
WATER DISTRICT)	

ORDER

On February 11, 2025, 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. On February 13, 2025, Meade District filed an amended Exhibit C correcting an error in the application.¹ Since the utility amended its application with its updated customer notice, the application is deemed filed as on February 13, 2025.

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, 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.

¹ Amended Public Notice, (filed Feb. 13, 2025), MCWD_Amended_Exhibit_C_Public_Notice.pdf.

DISCUSSION AND FINDINGS

Meade District purchases water from Hardin County Water District #1 (Hardin District #1). Hardin District #1 notified Meade District that its wholesale rate would increase from \$3.35 per 1,000 gallons to \$3.40 per 1,000 gallons, effective September 24, 2024.² Meade District proposes to increase the water rates to its customers effective February 1, 2025, to reflect the increased cost of purchased water from Hardin District #1.

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, Meade District reported a water loss of 15.9256 percent.³ In its 2022 Annual Report filed with the Commission, Meade District reported a water loss of 16.6964 percent.⁴ In its 2023 Annual Report filed with the Commission, Meade District reported a water loss of 17.2079 percent.⁵ Meade District's three-year water loss average is 16.61 percent.⁶ The approximate cost of Meade District's total water loss using a three-year average is \$245,484.⁷

² Case No. 2024-00319, *Electronic Purchased Water Adjustment Filing of Hardin County Water District No. 1* (Ky. PSC Nov. 1, 2024).

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

⁴ *Annual Report of Meade District to the Public Service Commission for the Year Ended December 31, 2022* at 58.

⁵ *Annual Report of Meade District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁶ $15.9256\% + 16.6964\% + 17.2079\% = 49.8299 / 3 \text{ years} = 16.61 \text{ percent.}$

⁷ Total water cost at new wholesale rate of \$1,477,928.71 times 16.61% water loss equals \$246,483.96.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission encourages Meade District to monitor water loss and pursue reasonable actions to reduce its unaccounted-for water loss.

Financial Condition and Rates

Based on a review of Commission records, Meade District last sought a general base rate adjustment in 2023.⁸ In Case No. 2023-00039 (2021 test year), the Commission approved an increase in required revenue of \$181,811 or a percentage increase of 5.61 percent.⁹ The final Order was effective January 5, 2024, and thus, the revenue increase is not reflected in the financial analysis completed in this matter. Rate-based income (adjusted net income minus principal payments) reviewed for this application was negative for all the years reviewed and decreased by approximately \$423,000 in 2023.¹⁰ The revenue increase approved in Case No. 2023-00039 would not have offset 2023 negative rate-based income.

⁸ Case No. 2023-00039, *Electronic Application of Meade County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 4, 2025), final Order.

⁹ Case No. 2023-00039, *Electronic Application of Meade County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 4, 2025), final Order at 21.

¹⁰ *Audit Report of Meade District to the Public Service Commission for the Year Ended December 31, 2019* at 14. *Audit Report of Meade District to the Public Service Commission for the Year Ended December 31, 2020* at 6. *Audit Report of Meade District to the Public Service Commission for the Year Ended December 31, 2021* at 7. *Audit Report of Meade District to the Public Service Commission for the Year Ended December 31, 2022* at 7. *Audit Report of Meade District to the Public Service Commission for the Year Ended December 31, 2023* at 7.

Description / Year	Audited 2019	Audited 2020	Audited 2021	Audited 2022	Audited 2023
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ (293,242)	\$ (459,083)	\$ (109,166)	\$ (143,320)	\$ (390,016)
Other Non-recurring Items ()	0	0	0	0	(8,065)
Adjusted Net Income / (Loss)	\$ (293,242)	\$ (459,083)	\$ (109,166)	\$ (143,320)	\$ (398,081)
Subtract: Principal Payments ()	(318,990)	(187,621)	(156,749)	(161,571)	(330,222)
Rate Based Income	\$ (612,232)	\$ (646,704)	\$ (265,915)	\$ (304,891)	\$ (728,303)
Add: Depreciation Expense	664,488	712,601	685,991	735,527	763,342
Cash Basis Income	\$ 52,256	\$ 65,897	\$ 420,076	\$ 430,636	\$ 35,039

Based upon a review of the annual reports and audit reports filed with the Commission, Meade District should file an application for a general base rate adjustment or an alternative rate adjustment on or before August 31, 2025, based on 2024 test year, 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 explaining the reasons why no modifications are necessary.

Purchased Water Adjustment Factor

In its application, Meade District proposed a purchased water adjustment factor of \$0.06 per 1,000 gallons.¹¹ During the 12 months ended December 31, 2024, Meade District purchased 434,684,915 gallons of water from Hardin District #1 and sold 363,034,022 gallons of water to its customers.¹² The increase in the cost of purchased water from Hardin District #1 is \$21,734.25, resulting in a purchased water adjustment factor of \$0.06 per 1,000 gallons.

The purchased water adjustment factor of \$0.06 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

¹¹ Application at 2, MCWD_PWA_Application.pdf.


¹² Application at 2, MCWD_PWA_Application.pdf.

after February 1, 2025, 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 \$0.06 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 February 1, 2025.
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 August 31, 2025, Meade District shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, 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.

PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:

 *RP*

Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00029 DATED MAR 11 2025

	Base Rate	New Rate	Change
<u>Hardin District #1</u>			
Purchases in Gallons	434,684,915	434,684,915	
Rate per 1,000 Gallons	<u>\$3.35/1,000</u>	<u>\$3.40/1,000</u>	
Total	\$1,456,194.47	\$1,477,928.71	\$21,734.24
Increased water cost			\$21,734.24
Increased water cost	\$21,734.24		
Divided by Gallons sold/1,000	<u>363,034,022</u>		
Purchased water adjustment factor	\$0.06	per 1,000 Gallons	
	or \$ 0.00006	per Gallon	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00029 DATED MAR 11 2025

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 the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

All Meter Sizes

First	2,000 Gallons	24.73	Minimum Bill
Next	5,000 Gallons	0.01202	Per Gallon
Next	10,000 Gallons	0.01162	Per Gallon
Next	20,000 Gallons	0.01072	Per Gallon
Over	37,000 Gallons	0.00945	Per Gallon

Bulk Station Sales	0.00886	Per Gallon
--------------------	---------	------------

Wholesale Rate Volume Charge

Doe Valley Water System	0.00636	Per Gallon
Otter Creek Water System	0.00651	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