

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER ADJUSTMENT	)	CASE NO.
FILING OF MUHLENBERG COUNTY WATER	)	2019-00381
DISTRICT	)	

ORDER

On October 15, 2019, Muhlenberg County Water District (Muhlenberg Water) tendered an application to adjust its rates pursuant to 807 KAR 5:068 and KRS 278.015 due to a rate increase by its wholesale supplier, Central City Municipal Water & Sewer (Central City). On October 31, 2019, Muhlenberg District was notified that its application was deficient because it did not include notice from its wholesale supplier as required by 807 KAR 5:068 and KRS 278.015. On November 1, 2019, Muhlenberg District corrected the deficiency by filing the notice. Muhlenberg District's application was accepted for filing on November 1, 2019, when it corrected the deficiency, and it is now before the Commission for a decision.

The Commission notes that in its 2018 Annual Report, Muhlenberg District reported a water loss of 21.2355 percent.<sup>1</sup> Muhlenberg District's application provides updated purchases and sales information for a more current period than the 2018 Annual Report. 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 total water produced and purchased, excluding water consumed by a utility in its own operations.

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<sup>1</sup> 2018 Annual Report at 57.

Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2018 Annual Report,<sup>2</sup> Muhlenberg District's unaccounted-for water loss is determined to be 15.89 percent for the updated period.<sup>3</sup>

Reduction of Muhlenberg District's unaccounted-for water loss to 15 percent would result in an approximate \$11,426.33<sup>4</sup> decrease to purchased water expense. Potentially, Muhlenberg District is paying \$0.03 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent<sup>5</sup> threshold.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Muhlenberg District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Muhlenberg District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

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

1. Muhlenberg District purchases water from the Central City and Todd County Water District (Todd District).

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<sup>2</sup> *Id.*, line 21 (34,955) divided by line 4 (483,200) equals 7.23 percent.

<sup>3</sup> Total Purchases (application PWA Form 1 at 2)	487,295,700
Less Total Sales (application PWA Form 1 at 2)	374,629,900
Less Plant Use (% determined from 2018 AR)	<u>35,251,286</u>
Water Loss – Gallons	77,414,514
Water Loss – Percent	15.89%

<sup>4</sup> Water loss above 15 percent is 0.89 percent, potential purchased water expensed reduction (Total water cost at new wholesale rate times water loss above 15 percent)

<sup>5</sup> Potential purchased water expense reduction divided by sales in gallons ( $\$11,426.33 / (374,628,900 / 1000)$ ) equals \$0.03 per 1,000 gallons.

2. Central City notified Muhlenberg District that its wholesale rate would increase from \$2.63 per 1,000 gallons to \$3.31 per 1,000 gallons effective July 31, 2019.

3. Muhlenberg District proposed a purchased water adjustment factor of \$0.89 per 1,000 gallons in its application.

4. During the 12 months ended September 30, 2019, Muhlenberg District purchased 486,595,100 gallons of water from Central City and 700,600 gallons from Todd District. During the same period, Muhlenberg District sold 374,628,900 gallons of water. The increase in the cost of purchased water is \$330,884.67, resulting in a purchased water adjustment factor of \$0.89 per 1,000 gallons.

5. Muhlenberg District proposed an effective date of October 31, 2019, but Central City's wholesale rate to Muhlenberg District was approved for service provided on or after November 19, 2019.<sup>6</sup>

6. The purchased water adjustment factor of \$0.89 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be 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 Muhlenberg District on and after November 19, 2019.

8. Neither the purchase water adjustment nor the rates set forth in Appendix B to this Order are fair, just, and reasonable for water service rendered by Muhlenberg District on or before November 18, 2019, because Central City's proposed increase,

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<sup>6</sup> Case No. 2019-00260, *Electronic Proposed Adjustment Of The Wholesale Water Service Rates Of Central City Municipal Water & Sewer* (Ky. PSC Nov 19, 2019).

which is the sole basis for Muhlenberg District's purchase water adjustment, was not effective for service rendered on or before that date.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.89 per 1,000 gallons is approved.
2. The rates proposed by Muhlenberg District are approved.
3. Muhlenberg District's proposed effective date is denied.
4. The rates as set forth in Appendix B to this Order are approved for water service rendered by Muhlenberg District on and after November 19, 2019.
5. Within 20 days of the date of entry of this Order, Muhlenberg District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
6. This case is hereby closed and removed from the Commission's docket.

By the Commission

ENTERED  
NOV 26 2019  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2019-00381

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
 COMMISSION IN CASE NO. 2019-00381 DATED **NOV 26 2019**

	Base Rate	New Rate	Increased Cost
Central City Purchases in Gallons	486,595,100	486,595,100	
Wholesale rate	<u>\$2.63/1,000</u>	<u>\$3.31/1,000</u>	
	\$1,279,745.11	\$1,610,629.78	\$330,884.67
Todd District Purchases in Gallons	700,600	700,600	
Wholesale rate	<u>\$5.87/1,000</u>	<u>No Change</u>	
	\$4,112.52	\$4,112.52	
Increased water cost		\$ 330,884.67	
Divided by Gallons sold/1,000		<u>374,628,900</u>	
Purchased water adjustment factor		\$ 0.8832 per 1,000 Gallons	
		or \$ 0.89 per 1,000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2019-00381 DATED **NOV 26 2019**

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

5/8 Inch Meter

First	2,000	gallons	\$ 27.09	Minimum bill
Next	8,000	gallons	9.73	per 1,000 gallons
Next	10,000	gallons	9.07	per 1,000 gallons
Next	30,000	gallons	8.42	per 1,000 gallons
All Over	50,000	gallons	7.76	per 1,000 gallons

1 Inch Meter

First	5,000	gallons	\$ 56.28	Minimum bill
Next	5,000	gallons	9.73	per 1,000 gallons
Next	10,000	gallons	9.07	per 1,000 gallons
Next	30,000	gallons	8.42	per 1,000 gallons
All Over	50,000	gallons	7.76	per 1,000 gallons

1 1/2 Inch Meter

First	11,000	gallons	\$ 113.97	Minimum bill
Next	9,000	gallons	9.07	per 1,000 gallons
Next	30,000	gallons	8.42	per 1,000 gallons
All Over	50,000	gallons	7.76	per 1,000 gallons

2 Inch Meter

First	16,000	gallons	\$ 159.30	Minimum bill
Next	4,000	gallons	9.07	per 1,000 gallons
Next	30,000	gallons	8.42	per 1,000 gallons
All Over	50,000	gallons	7.76	per 1,000 gallons

3 Inch Meter

First	26,000	gallons	\$ 246.05	Minimum bill
Next	24,000	gallons	8.42	per 1,000 gallons
All Over	50,000	gallons	7.76	per 1,000 gallons

4 Inch Meter

First	36,000	gallons	\$ 330.23	Minimum bill
Next	14,000	gallons	8.42	per 1,000 gallons
All Over	30,000	gallons	7.76	per 1,000 gallons

Wholesale Rate

\$6.63 per 1,000 gallons

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Greenville, KY 42345

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Muhlenberg County Water District  
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