

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF SOUTHERN MADISON	)	2019-00386
WATER DISTRICT	)	

ORDER

On October 21, 2019, Southern Madison Water District (Southern Madison District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup>

The Commission notes that in its 2018 Annual Report, Southern Madison District reported a water loss of 21.1110 percent.<sup>2</sup> Southern Madison 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. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2018 Annual Report,<sup>3</sup> Southern

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<sup>1</sup> KRS 278.015; 807 KAR 5:068.

<sup>2</sup> 2018 Annual Report at 57.

<sup>3</sup> *Id.*, line 21 (3,315) divided by line 4 (347,956) equals .9527 percent.

Madison District's unaccounted-for water loss is determined to be 24.91 percent for the updated period.<sup>4</sup>

Reduction of Southern Madison District's unaccounted-for water loss to 15 percent would result in an approximate \$98,665.09<sup>5</sup> decrease to purchased water expense. Potentially, Southern Madison District is paying \$0.37 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent<sup>6</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 Southern Madison District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Southern Madison District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Southern Madison District purchases water from the city of Berea (Berea).

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<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	358,563,400
Less Total Sales (application PWA Form 1 at 2)	265,832,400
Less Plant Use (% determined from 2018 AR)	<u>3,417,109</u>
Water Loss – Gallons	89,313,891
Water Loss – Percent	24.91%

<sup>5</sup> Water loss above 15 percent is 9.91 percent, potential purchased water expensed reduction (Total water cost at new wholesale rate times water loss above 15 percent)

<sup>6</sup> Potential purchased water expense reduction divided by sales in gallons (\$98,665.09/ (265,832,400/1000)) equals \$0.37 per 1,000 gallons.

2. Berea notified Southern Madison District that its wholesale water rate would increase from \$.0026455 per gallon to \$.0027770 per gallon, effective October 31, 2019.<sup>7</sup> Southern Madison District proposes to increase the water rates to its customers effective October 31, 2019, to reflect the increased cost of purchased water from Berea.

3. Southern Madison District proposed a purchased water adjustment factor of \$0.18 per 1,000 gallons in its application.

4. During the 12 months ended August 31, 2019, Southern Madison District purchased 358,563,400 gallons of water from Berea. During the same period, Southern Madison District sold 265,832,400 gallons of water. The increase in the cost of purchased water is \$47,151.09, resulting in a purchased water adjustment factor of \$0.18 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.18 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable, and should be approved.

6. Southern Madison District's proposed rates 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 Southern Madison District on and after October 31, 2019.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.18 per 1,000 gallons is approved.

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<sup>7</sup> TFS 2019-00498 (Ky. PSC filed Sept. 18, 2019); the tariff was accepted for filing by the Commission by letter dated October 30, 2019.

2. The rates proposed by Southern Madison District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Southern Madison District on and after October 31, 2019.
4. Within 20 days of the date of entry of this Order, Southern Madison District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. Within 30 days of the date of entry of this Order, Southern Madison District shall file with the Commission Proof of Notice pursuant to 807 KAR 5:068, Section 5(3).
6. Any document filed pursuant to ordering paragraph 5 of this Order shall reference the number of this case and shall be retained in the post-case correspondence file.
7. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED  
NOV 14 2019  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

Dwain R. Puriso  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
 COMMISSION IN CASE NO. 2019-00386 DATED **NOV 14 2019**

	Base Rate	New Rate	Increased Cost
City of Berea			
Purchases in Gallons	358,563,400	358,563,400	
Wholesale Rate	<u>\$ 2.6455/1000</u>	<u>\$ 2.7770/1000</u>	
	\$948,579.47	\$995,730.56	\$47,151.09

Increased water cost	\$ 47,151.09
Divided by Gallons sold/1,000	<u>265,832,400</u>
Purchased water adjustment factor	\$ 0.1774 per 1,000 Gallons

or \$ 0.18 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2019-00386 DATED **NOV 14 2019**

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

First	2,000 Gallons	\$13.446 Minimum Bill
Next	1,000 Gallons	6.663 per 1,000 Gallons
Next	3,000 Gallons	6.223 per 1,000 Gallons
Next	4,000 Gallons	5.763 per 1,000 Gallons
Next	15,000 Gallons	4.883 per 1,000 Gallons
Next	25,000 Gallons	4.583 per 1,000 Gallons
Over	50,000 Gallons	4.033 per 1,000 Gallons
Kentucky River Authority Withdrawal Fee		.0253 per 1,000 Gallons

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