

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF EAST CLARK	)	2020-00236
COUNTY WATER DISTRICT	)	

ORDER

On July 21, 2020, East Clark County Water District (East Clark District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup>

The Commission notes that in East Clark District's 2019 Annual Report a water loss of 13.5714 percent was reported.<sup>2</sup> East Clark District's application provides updated purchases and sales information for a more current period than the 2019 Annual Report. Commission regulation 807 KAR 5:066(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 2019 Annual Report,<sup>3</sup> East Clark District's unaccounted-for water loss is determined to be 17.27 percent for the updated period.<sup>4</sup>

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

<sup>2</sup> 2019 Annual Report at 57.

<sup>3</sup> *Id.*, line 22 (1,014) divided by line 4 (129,323) equals 0.7841 percent.

<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	137,177,250
Less Total Sales (application PWA Form 1 at 2)	112,404,639
Less Plant Use (% determined from 2019 AR)	<u>1,075,584</u>
Water Loss – Gallons	23,697,027
Water Loss – Percent	17.27%

Reduction of East Clark District's unaccounted-for water loss to 15 percent would result in an approximate \$8,492.08<sup>5</sup> decrease to purchased water expense. Potentially, East Clark District is paying \$0.076 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 East Clark District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by East Clark District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

In a review of the Commissions records from 1985 to the present dates, the Commission notes that its records indicate East Clark District has not sought a general base rate adjustment since 1998.<sup>7</sup> In Commission Case No. 2019-00041 and the resulting investigative report, the Commission discusses the problems that can occur when utilities intentionally avoid a review of their financial records.<sup>8</sup> A key recommendation from that investigative report was that water districts should monitor the sufficiency of their base rates closely and, in general, apply for base rate adjustments on

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<sup>5</sup> Water loss above 15 percent is 2.27 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$8,492.08

<sup>6</sup> Potential purchased water expense reduction divided by sales in gallons (\$35,243/ (112,404,639/1000)) equals \$0.0184 per 1,000 gallons.

<sup>7</sup> Case No. 1998-00101, *In the Matter of an Adjustment of Rates of the East Clark County Water District* (Ky. PSC June 6, 1998).

<sup>8</sup> See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019).

a more frequent basis.<sup>9</sup> An analysis of East Clark District annual reports indicate negative net income balances and possible decreases to the depreciation reserve to meet daily expenses.

Year	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Income	\$67,902	\$(36,981)	\$(46,926)	\$(117,067)	\$(51,679)
Add: Depreciation Expense	<u>\$314,732</u>	<u>\$326,762</u>	<u>\$331,020</u>	<u>\$ 333,343</u>	<u>\$348,298</u>
Cash Basis Income	\$382,634	\$289,781	\$284,094	\$ 216,276	\$296,619

Due to these negative financial indices, the Commission finds that East Clark District should file an application for a traditional adjustment in rates or an alternative rate adjustment within one year of the date of this Order to ensure its revenue is sufficient to support adequate and reliable service.

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

1. East Clark District purchases water from the Winchester Municipal Utilities (Winchester) and Kentucky-American Water Company (Kentucky-American).
2. Winchester notified East Clark District that the Kentucky River Authority Withdrawal Fee portion of its wholesale rate will increase from \$0.30 per 100 cubic feet to \$0.32 per 100 cubic feet effective July 1, 2020. East Clark District proposes to increase the water rates to its customers effective August 20, 2020, to reflect the increased cost of purchased water from Winchester.

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<sup>9</sup> *Id.*

3. East Clark District proposed a purchased water adjustment factor of \$0.04 per 1,000 gallons in its application.

4. During the 12 months ended June 30, 2020, East Clark District purchased 137,049,750 gallons of water from Winchester and 127,500 gallons of water from Kentucky-American. During the same period, East Clark District sold 112,404,639 gallons of water. The increase in the cost of purchased water is \$3,654.66, resulting in a purchased water adjustment factor of \$0.04 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.04 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved.

6. East Clark District's proposed rates are 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 East Clark District on and after August 20, 2020.

8. East Clark District should file an application for an adjustment in base rates within one year of the date of entry of this Order.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.04 per 1,000 gallons is approved.

2. The rates proposed by East Clark District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by East Clark District on and after August 20, 2020.

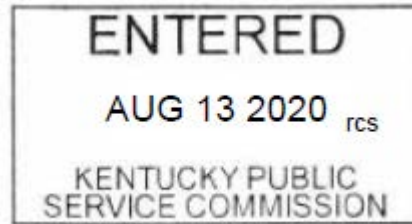
4. Within 20 days of the date of entry of this Order, East Clark District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

5. East Clark District shall file an application for an adjustment in base rates within one year of the date of entry of this Order.

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

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By the Commission



ATTEST:



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Acting Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2020-00236 DATED AUG 13 2020

	Base Rate	New Rate
Winchester		
Purchases in Cubic Feet	18,273,300	18,273,300
Wholesale rate	<u>\$ 0.30/100</u>	<u>\$ 0.32/100</u>
	\$54,819.90	\$58,474.56
Increased water cost		\$ 3,654.66
Increased water cost		\$ 3,654.66
Divided by Gallons sold/1,000		<u>112,404,639</u>
Purchased water adjustment factor		\$ 0.0325 per 1,000 Gallons

or \$ 0.04 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2020-00236 DATED AUG 13 2020

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

5/8- X 3/4-inch Meters

First	2,000 Gallons	\$26.30 Minimum Bill
Next	8,000 Gallons	10.90 per 1,000 Gallons
Next	40,000 Gallons	9.68 per 1,000 Gallons
Over	50,000 Gallons	8.46 per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$59.00 Minimum Bill
Next	5,000 Gallons	10.90 per 1,000 Gallons
Next	40,000 Gallons	9.68 per 1,000 Gallons
Over	50,000 Gallons	8.46 per 1,000 Gallons

1 1/2-Inch Meter

First	10,000 Gallons	\$113.50 Minimum Bill
Next	40,000 Gallons	9.68 per 1,000 Gallons
Over	50,000 Gallons	8.46 per 1,000 Gallons

2-Inch Meter

First	20,000 Gallons	\$210.30 Minimum Bill
Next	30,000 Gallons	9.68 per 1,000 Gallons
Over	50,000 Gallons	8.46 per 1,000 Gallons

3-Inch Meter

First	30,000 Gallons	\$307.10 Minimum Bill
Next	20,000 Gallons	9.68 per 1,000 Gallons
Over	50,000 Gallons	8.46 per 1,000 Gallons



4-Inch Meter

First 50,000 Gallons  
Over 50,000 Gallons

\$500.70 Minimum Bill  
8.46 per 1,000 Gallons

Bulk Sales

\$6.47 per 1,000 Gallons

\*William Ballard  
General Manager  
East Clark County Water District  
118 Hopkins Lane  
P. O. Box 112  
Winchester, KY 40391

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