

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF MUHLENBERG)	CASE NO.
COUNTY WATER DISTRICT TO REDUCE ITS)	2021-00210
WHOLESALE WATER RATES)	

ORDER

On April 30, 2021, Muhlenberg County Water District (Muhlenberg District) filed with the Commission a revised tariff sheet setting forth a proposed reduction to its existing wholesale rates for water service. The Commission, by Order dated May 25, 2021, authorized the reduction to Muhlenberg District's wholesale rates and established this case to further review the financial capacity of Muhlenberg District.

LEGAL STANDARD

Under KRS 278.250 and KRS 278.260, the Commission is authorized to investigate and examine the condition of any utility subject to its jurisdiction, including any practice or act relating to the utility service. Under KRS 278.280, if the Commission finds that any practice or act is unjust, unreasonable, unsafe, improper, inadequate, or insufficient, then the Commission has the authority to determine the just, reasonable, safe, proper, adequate, or sufficient practice or method to be observed.

BACKGROUND

Muhlenberg District, a water district organized under KRS Chapter 74, provides retail water service to approximately 6,218 retail water customers.¹ in Muhlenberg County, Kentucky.²

The Commission notes that Muhlenberg District reported a water loss of 19.55 percent in its 2020 Annual Report.³ The cost of Muhlenberg District's water loss at 19.55 percent is approximately \$277,811.⁴ 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 the total water produced and purchased, excluding water consumed by a utility in its own operations. Reduction of Muhlenberg District's unaccounted-for water loss to 15 percent would result in an approximate \$64,657 decrease to its cost of water annually.⁵ 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, which has exceeded the 15 percent limit for the past five years.⁶

¹ *Annual Report of Muhlenberg County Water District to the Public Service Commission for the Year Ended December 31, 2020* (Annual Report) at 49.

² *Id.* at 12.

³ *Id.* at 57.

⁴ *Id.* at 50. Muhlenberg District's 2020 purchased water and power totaled \$1,421,029; multiply by 2020 water loss of 19.55%: $\$1,421,029 \times 19.55\% = \$277,811$ (rounded).

⁵ *Id.* Muhlenberg District's 2020 purchased water, power, and chemical expense totaled \$2,600,781; multiply by 2020 water loss in excess of 15 percent: $\$1,421,029 \times (19.55\% - 15.00\%) = \$64,657$ (rounded).

⁶ *Id.* at 57; 2019 Annual Report at 57; 2018 Annual Report at 57; 2017 Annual Report 56; 2016 Annual Report at 56.

Year	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Water Loss (%)	19.62	21.63	21.24	17.97	19.55

Muhlenberg District should monitor its unaccounted-for water loss and in the event an increase occurs from the current level Muhlenberg District should consider implementing a water loss reduction surcharge. A water loss reduction surcharge would provide Muhlenberg District funds with which it could focus on reducing water loss and therefore reduce expenses. 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.

DISCUSSION

Muhlenberg District submitted a rate study performed by Kentucky Rural Water Association in support of its proposed reduction to its wholesale rates. Muhlenberg District responded to two data requests. Based upon a review of the record, the Commission finds the rate study and the additional information provided is a reasonably accurate representation of the 2019 calendar year and that Muhlenberg District will have sufficient cash flow to operate and additionally pay the debt service and accumulate funds for depreciation. The rate study used the historical 12-month test year ending December 31, 2019.⁷ The Commission also finds that Muhlenberg District should adopt a policy to review its rate sufficiency annually.

IT IS THEREFORE ORDERED that:

1. Muhlenberg District shall adopt a policy to review its rate sufficiency annually.
2. This case is closed and removed from the Commission's Docket.

⁷ Application, *Analysis and Recommendations for Wholesale Water Rates*.

By the Commission

ENTERED
JAN 18 2022 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2021-00210

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