

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MOUNTAIN WATER)	2022-00423
DISTRICT)	

ORDER

On December 14, 2022, Mountain Water District (Mountain 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 December 15, 2022, the Commission notified Mountain District that its application was rejected because of a certain filing deficiency. Mountain District submitted further documentation to correct the filing deficiency, and the application was accepted for filing on December 15, 2022.

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 rates commensurate with the wholesale supplier. The water district must file 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.

DISCUSSION AND FINDINGS

Mountain District purchases water from the city of Pikeville (Pikeville) and the city of Williamson, West Virginia (Williamson). Pikeville notified Mountain District that its

wholesale rate would increase from a monthly minimum of 28,000,000 gallons at \$1.97 per 1,000 gallons to a monthly minimum of 20,000,000 at \$2.26 per 1,000 gallons, effective December 1, 2022.¹ Mountain District proposes to increase the water rates to its customers effective December 11, 2022, to reflect the increased cost of purchased water from Pikeville.

Unaccounted-for Water

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, Mountain District reported a water loss of 27.9017 percent.² Mountain District's application provides updated purchase and sales information for the period of October 2021 through September 2022. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2021 Annual Report, Mountain District's unaccounted-for water loss is 26.5220 percent for the updated period.³ Reduction of Mountain District's unaccounted-for water loss to 15 percent would result in

¹ TFS 2022-00545 (Ky. PSC Dec. 9, 2022); Mountain District submitted the tariff on November 10, 2022, and the tariff was accepted for filing by the Commission by letter dated December 9, 2022, with an effective date of December 1, 2022.

² *Annual Report of Mountain District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

³ Total Purchases (application PWA Form 1 at 2)	1,368,846,592
Less Total Sales (application PWA Form 1 at 2)	776,999,490
Less Plant Use (% determined from 2021 Annual Report)	228,802,708
Water Loss – Gallons	363,044,394
Water Loss – Percent	26.5220%

an approximate \$144,974.73 decrease to purchased water expense.⁴ Potentially, Mountain District is paying approximately \$0.1866 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁵ The cost of Mountain District's total water loss is \$333,711.14.⁶

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

Financial Condition and Rates

Mountain District filed a notice of intent (NOI) to file for a general base rate adjustment on October 28, 2022, and assigned case number 2022-00366.⁷ Mountain District filed a revised NOI in Case No. 2022-00366 on December 8, 2022, notifying the Commission that an application for a general base rate adjustment would be filed by February 1, 2023.⁸ Because of the pending case, a financial review of the utility was not

⁴ Water loss above 15% is 0.11522, potential purchased water expense reduction (Total water cost at new wholesale rate of \$1,258,242.73 times water loss above 15%) equals \$144,974.73.

⁵ Potential purchased water expense reduction divided by sales (\$144,974.73/ (776,999,490/1,000)) equals \$0.1866 per 1,000 gallons.

⁶ Total water cost at new wholesale rate of \$1,258,242.73 times 26.5220% water loss equals \$333,711.14.

⁷ Case No. 2022-00366, *Electronic Application of Mountain Water District for a General Adjustment of Water Rates* (filed Oct. 28, 2022) Notice of Intent and Election.

⁸ Case No. 2022-00366, *Electronic Application of Mountain Water District for a General Adjustment of Water Rates* (filed Dec. 8, 2022) Revised Notice of Intent to File an Application for General Rate Adjustment.

completed as part of this case. A complete financial review by Commission Staff will be undertaken in the proposed rate adjustment proceeding, Case No. 2022-00366.

Purchased Water Adjustment Factor

In its application, Mountain District proposed a purchased water adjustment factor of \$0.08 per 1,000 gallons. During the 12 months ended September 30, 2022, Mountain District purchased 349,066,872 gallons of water from Pikeville and 253,828,500 gallons of water from Williamson and sold 776,999,490 gallons of water to its customers. The increase in the cost of purchased water from Pikeville is \$58,040.32, resulting in a purchased water adjustment factor of \$0.08 per 1,000 gallons. No rate changes occurred from Williamson.

The purchased water adjustment factor of \$0.08 per 1,000 gallons, as calculated in Appendix A and the rates as set forth in Appendix B to this Order are fair, just and reasonable. These rates should be approved for water service rendered by Mountain District on and after December 11, 2022. The rates are supported by evidence of the rate increase from Mountain 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 \$0.08 per 1,000 gallons is approved.
2. The rates proposed by Mountain District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Mountain District on and after December 11, 2022.

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

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

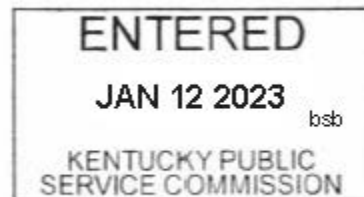
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PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00423 DATED JAN 12 2023

	Current Base Rate	
<u>City of Pikeville</u>		
First 28,000,000 Gallons x 12 months	336,000,000	
\$55,160 monthly	<u>\$ 1.97/1,000</u>	
	\$661,920.00	
Over 28,000,000 Gallons	37,449,872	
Per Month	<u>\$ 1.97/1,000</u>	
	\$ 73,776.25	
Total		\$ 735,696.25
	New Base Rate	
<u>City of Pikeville</u>		
First 20,000,000 Gallons x 12 months	240,000,000	
\$45,200 monthly	<u>\$ 2.26/1,000</u>	
	\$542,400.00	
Over 20,000,000 Gallons	111,210,872	
Per Month	<u>\$ 2.26/1,000</u>	
	\$ 251,336.57	
Total		\$ 793,736.57
Increased Cost	\$ 58,040.32	
Total Gallons Produced and Purchased	1,368,846,592	
Total Cost at Current Rate		\$1,200,202.41
Total Cost at New Rate		\$1,258,242.73
Increased water cost	\$ 58,040.32	
Divided by Gallons sold/1000	<u>776,999,490</u>	
Purchased water adjustment factor	\$ 0.0747 per 1,000 Gallons	
	or \$ 0.08 per 1,000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00423 DATED JAN 12 2023

The following rates and charges are prescribed for the customers in the area served by Mountain 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-Inch Meter

First	2,000 Gallons	24.09	Minimum Bill
Next	8,000 Gallons	0.00855	Per Gallon
Over	10,000 Gallons	0.00762	Per Gallon

1-Inch Meter

First	5,000 Gallons	49.74	Minimum Bill
Next	5,000 Gallons	0.00855	Per Gallon
Over	10,000 Gallons	0.00762	Per Gallon

2-Inch Meter

First	20,000 Gallons	168.69	Minimum Bill
Over	20,000 Gallons	0.00762	Per Gallon

3-Inch Meter

First	30,000 Gallons	244.89	Minimum Bill
Over	30,000 Gallons	0.00762	Per Gallon

4-Inch Meter

First	50,000 Gallons	397.29	Minimum Bill
Over	50,000 Gallons	0.00762	Per Gallon

6-Inch Meter

First	100,000 Gallons	778.29	Minimum Bill
Over	100,000 Gallons	0.00762	Per Gallon

Martin County Water District 0.00317 Per Gallon

Mingo County Public Service District 0.00474 Per Gallon

Jenkins Utilities

First	50,000 Gallons daily	0.00317	Per Gallon
Over	50,000 Gallons daily	0.00358	Per Gallon

City of Elkhorn

First	215,000 Gallons daily	0.00299	Per Gallon
Over	215,000 Gallons daily	0.00317	Per Gallon

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