

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MCKINNEY WATER)	2023-00344
DISTRICT)	

ORDER

On October 13, 2023, McKinney Water District (McKinney District) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. Also on October 13, 2023, McKinney District submitted an amended application with updated information. On October 20, 2023, the Commission notified McKinney District that its application was rejected for certain filing deficiencies. On November 3, 2023, McKinney District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of November 3, 2023.

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 rate commensurate with the wholesale supplier. The water district must file, within the statutory and regulatory deadlines, 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

McKinney District purchases water from the city of Eubank (Eubank) and the city of Stanford (Stanford). Eubank notified McKinney District that its wholesale volumetric rate for the monthly minimum bill of \$30.00 for the first 5,000 gallons purchased would not change, and for the next 5,000 gallons would increase from \$5.00 per 1,000 gallons to \$5.30 per 1,000 gallons, and increase from \$4.10 per 1,000 gallons to \$4.40 per 1,000 gallons for purchased water over 10,000 gallons, effective November 13, 2023.¹ McKinney District proposed to increase the water rates to its customers effective November 13, 2023, to reflect the increased cost of purchased water from Eubank. Stanford did not propose any rate changes.

In its correction of the application deficiency, McKinney District filed a schedule of corrected Current Rates and Proposed Rates,² in which the proposed rate tiers were listed incorrectly. The proposed rate tiers were incorrectly listed as, “First 1,000 Gallons (lump sum), Next 2,000 Gallons, Next 2,000 Gallons, Next 5,000 Gallons, Over 15,000 Gallons”, rather than the correct rate tiers of “First 1,000 Gallons (lump sum), Next 2,000 Gallons, Next 7,000 Gallons, Next 10,000 Gallons, Over 20,000 Gallons”.³ On November 20, 2023, McKinney District submitted a corrected schedule of rates in the case file.⁴

¹ TFS2023-00470 (Ky. PSC Oct. 13, 2023); McKinney District submitted the tariff October 13, 2023, and the tariff was accepted for filing by the Commission by letter dated November 6, 2023, with an effective date of November 13, 2023.

² McKinney District's Corrected Rates (filed Nov. 3, 2023), Current_and_Proposed_RatesMcKinney_2023.xlsx.

³ McKinney District's Corrected Rates, Current_and_Proposed_RatesMcKinney_2023.xlsx.

⁴ McKinney District's Amended Rates (filed Nov. 20, 2023), Current_and_Proposed_RatesMcKinney_2023.xlsx.

Unaccounted-for Water Loss

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 2022 Annual Report filed with the Commission, McKinney District reported a water loss of 26.5335 percent.⁵ McKinney District's application provides updated purchase and sales information for the period of October 2022 through September 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, McKinney District's unaccounted-for water loss is 28.13 percent for the updated period.⁶ Reduction of McKinney District's unaccounted-for water loss to 15 percent would result in an approximate \$69,285 decrease to purchased water expense.⁷ Potentially, McKinney District is paying approximately \$0.6881 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁸ The cost of McKinney District's total water loss is \$148,438.⁹

⁵ *Annual Report of McKinney District to the Public Service Commission for the Year Ended December 31, 2022 (2022 Annual Report)* at 57.

⁶ Total Purchases (application PWA Form 1 at 2)	142,594,100
Less Total Sales (application PWA Form 1 at 2)	100,689,000
Less Plant Use (% determined from 2022 Annual Report)	1,799,538
Water Loss – Gallons	40,105,592
Water Loss – Percent	28.13%

⁷ Water loss above 15% is 13.13%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$527,685.43 times water loss above 15%) equals \$69,285.10.

⁸ Potential purchased water expense reduction divided by sales (\$69,285.10/ (100,689,000/1,000)) equals \$0.6881 per 1,000 gallons.

⁹ Total water cost at new wholesale rate of \$527,685.43 times 28.13% water loss equals \$148,438.

In McKinney District's recent rate case,¹⁰ the Commission approved a monthly water loss reduction surcharge of \$4.05 per customer for 48 months to help lower system losses to more acceptable levels.¹¹ On September 1, 2023, Case No. 2023-00194¹² was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established by McKinney District.

Financial Condition and Rates

Based on a review of Commission records, McKinney District filed its most recent rate adjustment (Case No. 2022-00400)¹³ pursuant to the final Order in Case No. 2022-00048.¹⁴ In its recent rate case, McKinney District required a revenue increase in rates of \$57,378 or 5.89 percent.

Purchased Water Adjustment Factor

In its application, McKinney District proposed a purchased water adjustment factor of \$0.09 per 1,000 gallons. During the 12 months ended September 30, 2023, McKinney District purchased 27,791,100 gallons of water from Eubank and 114,803,000 gallons of water from Stanford and sold 100,689,000 gallons of water to its customers. The increase in the cost of purchased water from Eubank is \$8,319.33, resulting in a purchased water adjustment factor of \$0.09 per 1,000 gallons. No rate changes occurred from Stanford.

¹⁰ Case No. 2022-00400, *Electronic Application of McKinney Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 1, 2023), final Order.

¹¹ Case No. 2022-00400, *Electronic Application of McKinney Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 1, 2023), final Order at 14.

¹² Case No. 2023-00194, *Electronic McKinney Water District Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Sept. 1, 2023), opening Order.

¹³ Case No. 2022-00400, *Electronic Application of McKinney Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 1, 2023), final Order.

¹⁴ Case No. 2022-00048, *Electronic Purchased Water Adjustment Filing of McKinney Water District* (Ky. PSC Mar. 16, 2022), Order at 6, order paragraph 5.

The purchased water adjustment factor of \$0.09 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 and should be approved for water service rendered by McKinney District on and after November 13, 2023, because the rates are supported by evidence of the increase in rates from McKinney District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278. 015.

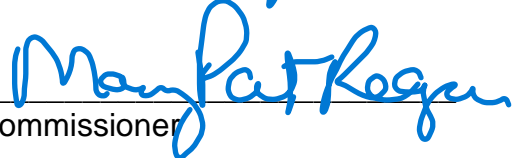
IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.09 per 1,000 gallons is approved.
2. The rates proposed by McKinney District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by McKinney District on and after November 13, 2023.
4. Within 20 days of the date of service of this Order, McKinney 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.

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. 2023-00344 DATED NOV 30 2023

	Base Rate	New Rate	Change
<u>Stanford</u>			
Purchases in Gallons	114,803,000	114,803,000	
Rate per 1,000 Gallons	<u>\$3.53/1,000</u>	<u>\$3.53/1,000</u>	
Subtotal	\$405,254.59	\$405,254.59	no change
<u>Eubank</u>			
First 5,000 Gallons	60,000	60,000	
Rate per 1,000 Gallons	<u>\$6.00/1,000</u>	<u>\$6.00/1,000</u>	
Subtotal	\$360.00	\$360.00	no change
<u>Eubank</u>			
Next 5,000 Gallons	60,000	60,000	
Rate per 1,000 Gallons	<u>\$5.00/1,000</u>	<u>\$5.30/1,000</u>	
Subtotal	\$300.00	\$318.00	\$18.00
<u>Eubank</u>			
Purchases in Gallons	27,671,100	27,671,100	
Rate per 1,000 Gallons	<u>\$4.10/1,000</u>	<u>\$4.40/1,000</u>	
Subtotal	\$113,451.51	\$121,752.84	\$8,301.33
Total	\$519,366.10	\$527,685.43	
Increased water cost			\$8,319.33
Increased water cost Divided by Gallons sold/1,000		<u>\$8,319.33</u> <u>100,689,000</u>	
Purchased water adjustment factor		\$0.0826	per 1,000 Gallons
		or \$ 0.00009	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00344 DATED NOV 30 2023

The following rates and charges are prescribed for the customers in the area served by McKinney 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- X 3/4-Inch Meter

First	1,000 Gallons	\$15.98	Minimum Bill
Next	2,000 Gallons	\$0.01013	Per Gallon
Next	7,000 Gallons	\$0.00864	Per Gallon
Over	10,000 Gallons	\$0.00792	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$53.51	Minimum Bill
Next	5,000 Gallons	\$0.00864	Per Gallon
Over	10,000 Gallons	\$0.00792	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$169.11	Minimum Bill
Over	20,000 Gallons	\$0.00792	Per Gallon

*Jason Pennell
Kentucky Rural Water Association
Post Office Box 1424
1151 Old Porter Pike
Bowling Green, KENTUCKY 42102-1424

*McKinney Water District
2900 KY HWY 198
Stanford, KY 40484

*Donna Yocum
McKinney Water District
P. O. Box 7
McKinney, KY 40448