

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MARION COUNTY)	2024-00261
WATER DISTRICT)	

ORDER

On August 14, 2024, Marion County Water District (Marion 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.

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

Marion District purchases water from Campbellsville Municipal Water & Sewer (Campbellsville) and Lebanon Water Works (Lebanon). Campbellsville notified Marion District that its wholesale rate would increase from \$2.95 per 1,000 gallons to \$3.48 per

1,000 gallons, effective August 1, 2024.¹ Marion District proposes to increase the water rates to its customers effective August 1, 2024, to reflect the increased cost of purchased water from Campbellsville. Lebanon proposed no rate changes.

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 2021 Annual Report filed with the Commission, Marion District reported a water loss of 23.6983 percent.² In its 2022 Annual Report filed with the Commission, Marion District reported a water loss of 20.9117 percent.³ In its 2023 Annual Report filed with the Commission, Marion District reported a water loss of 13.6697 percent.⁴ Marion District's three-year water loss average is 19.4266 percent.⁵ The cost of Marion District's total water loss based on the three-year average is \$393,243.62.⁶

¹ TFS2024-00286 (Ky. PSC June 18, 2024); Marion District submitted the tariff on June 18, 2024, and the tariff was accepted for filing by the Commission by letter dated July 31, 2024, with an effective date of August 1, 2024.

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

³ *Annual Report of Marion District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁴ *Annual Report of Marion District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁵ $23.6983\% + 20.9117\% + 13.6697\% = 58.2797\% / 3 \text{ years} = 19.4266\%$.

⁶ Total water cost at new wholesale rate of \$2,024,253.45 times 19.4266% water loss equals \$393,243.62.

In Case No. 2021-00303,⁷ the Commission approved Marion District for a water loss improvement project. The Commission commends Marion District for its efforts to reduce water loss that have yielded significant results and encourages Marion District to continue developing projects that can directly improve the water loss amounts in the future.

Financial Condition and Rates

Based on a review of Commission records, Marion District last sought a general base rate adjustment in 2021.⁸ Case No. 2021-00394 resulted in an authorized increase to Marion District rates of \$583,917, or 18.87 percent.⁹ Marion District also increased its rates in a prior Purchased Water Adjustment filing since its last rate case, by \$0.01 per 1,000 gallons.¹⁰

Based upon a review of the annual and audit reports filed with the Commission,¹¹ Marion District's rate-based income (adjusted net income minus principal payments) was negative in all years but improved substantially in 2023 compared to prior years. Cash basis income (rate-based income plus depreciation expense) was positive in all years except 2021. Depreciation expense increased \$103,671 from 2020, the test year for Case No. 2021-00394, to 2023 and other expenses increased significantly as well. Water

⁷ Case No. 2021-00303, *Electronic Application of the Marion County Water District for the Issuance of a Certificate of Public Convenience and Necessity to Construct a Water System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to the Provisions KRS 278.020, KRS 278.300 and KAR 5:001* (Ky. PSC Dec. 6, 2021).

⁸ Case No. 2021-00394 *Electronic Application of Marion County Water District for a Rate Adjustment Pursuant to 807 Kar 5:076* (Ky. PSC May 23, 2022).

⁹ Case No. 2021-00394 May 23, 2022 final Order.

¹⁰ Case No. 2022-00346, *Electronic Purchased Water Adjustment Filing of Marion County Water District* (Ky. PSC Nov. 9, 2022), final Order.

¹¹ Marion County Water District Audit Report 2019–2023.

loss percentage averaged 18.2160 percent for the five-year period and was below 15 percent in 2019 and 2023 but was above 15 percent in 2020 through 2022. Given this information, the Commission recommends that Marion District monitor its operating performance annually and consider filing future rate cases no less than every three to five years depending on inflation and operating performance, to ensure that its revenue is sufficient to support adequate and reliable service.

Purchased Water Adjustment Factor

In its application, Marion District proposed a purchased water adjustment factor of \$0.01 per 1,000 gallons. During the 12 months ended July 31, 2024, Marion District purchased 3,954,700 gallons of water from Campbellsville and 462,347,312 gallons of water from Lebanon and sold 396,492,155 gallons of water to its customers. The increase in the cost of purchased water from Campbellsville is \$2,095.99, resulting in a purchased water adjustment factor of \$0.01 per 1,000 gallons. No rate changes occurred from Lebanon.

The purchased water adjustment factor of \$0.01 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 Marion District on and after August 1, 2024, because the rates are supported by evidence of the increase in rates from Marion 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 \$0.01 per 1,000 gallons is approved.

2. The rates proposed by Marion District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Marion District on and after August 1, 2024.
4. Within 20 days of the date of service of this Order, Marion 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. 2024-00261 DATED SEP 10 2024

	Base Rate	New Rate	Change
<u>Campbellsville</u>			
Purchases in Gallons	3,954,700	3,954,700	
Rate per 1,000 Gallons	<u>\$2.95/1,000</u>	<u>\$3.48/1,000</u>	
Subtotal	\$11,666.37	\$13,762.36	\$2,095.99
Months	12	12	
Monthly Meter charge	18.00	18.00	
3 meters	<u>\$54.00</u>	<u>\$54.00</u>	
Subtotal	\$648.00	\$648.00	\$0.00
<u>Lebanon</u>			
Purchases in Gallons	462,347,312	462,347,312	
Rate per 1,000 Gallons	<u>\$4.3446/1,000</u>	<u>\$4.3446/1,000</u>	
Sub-total	\$2,008,714.13	\$2,008,714.13	no change
Months	12	12	
Monthly Meter charge	7.84	7.84	
12 meters	<u>94.08</u>	<u>94.08</u>	
Subtotal	\$1,128.96	\$1,128.96	no change
Total	\$2,022,157.46	\$2,024,253.45	
Increased water cost			\$2,095.99
Increased water cost		\$2,095.99	
Divided by Gallons sold/1,000		<u>396,492,155</u>	
Purchased water adjustment factor		\$0.01	per 1,000 Gallons
		or \$ 0.00001	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00261 DATED SEP 10 2024

The following rates and charges are prescribed for the customers in the area served by Marion County 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	\$8.85	Minimum Bill
1-Inch Meter	\$19.26	Minimum Bill
2-Inch Meter	\$30.53	Minimum Bill
3-Inch Meter	\$48.42	Minimum Bill
4-Inch Meter	\$76.80	Minimum Bill
6-Inch Meter	\$193.28	Minimum Bill
All usage	\$0.00820	Per Gallon

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556 Carlton Drive
Lawrenceburg, KENTUCKY 40342

*Marion County Water District
1835 Campbellsville Road
P. O. Box 528
Lebanon, KY 40033