

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NORTH MCLEAN)	2025-00026
COUNTY WATER DISTRICT)	

ORDER

On February 18, 2025, North McLean County Water District (North McLean 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

North McLean District purchases water from McLean County Regional Water Commission (McLean Regional Commission), Daviess County Water District (Daviess District), and Ohio County Water District (Ohio District).¹ McLean Regional Commission

¹ Application at PDF page 1.

notified North McLean District that its wholesale rate would increase from \$3.77 per 1,000 gallons to \$3.92 per 1,000 gallons, effective March 1, 2025.² North McLean District proposes to increase the water rates to its customers effective March 1, 2025, to reflect the increased cost of purchased water from McLean Regional Commission.³ Daviess District and Ohio District did not propose any 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, North McLean District reported a water loss of 16.5381 percent.⁴ In its 2022 Annual Report filed with the Commission, North McLean District reported a water loss of 20.3753 percent.⁵ In its 2023 Annual Report filed with the Commission, North McLean District reported a water loss of 22.9134 percent.⁶ North McLean District's three-year water loss average is 19.9423.⁷

² Application, Exhibit A.

³ Application, PDF at 2.

⁴ *Annual Report of North McLean District to the Public Service Commission for the Year Ended December 31, 2021* at 58.

⁵ *Annual Report of North McLean District to the Public Service Commission for the Year Ended December 31, 2022* at 58.

⁶ *Annual Report of North McLean District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁷ $16.5381\% + 20.3753\% + 22.9134\% = 59.8268 / 3 \text{ years} = 19.9423 \text{ percent.}$

The approximate cost of North McLean District's total water loss using a three-year average is \$105,829.⁸

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. While the Commission recognized that North McLean District's water loss issues are not as severe as some other water districts, it cannot ignore the fact that its water loss exceeds the 15 percent threshold and appears to be increasing. Accordingly, the Commission strongly encourages North McLean District to pursue reasonable actions to reduce its unaccounted-for water loss.

Financial Condition and Rates

Based on a review of Commission records, North McLean District filed a notice of intent (NOI) to file for a general base rate adjustment on January 13, 2025, and was assigned Case No. 2025-00009.⁹ Because of the pending case, a financial review of the utility was not undertaken as part of this case. A complete financial review by Commission Staff will be undertaken in the proposed rate adjustment proceeding. North McLean District indicated a filing date for its rate case application of no later than February 1, 2025, which was approximately 8 weeks past.¹⁰ The Commission encourages North McLean District to file its rate application in Case No. 2025-00009 as soon as possible.

⁸ Total water cost at new wholesale rate of \$530,674.70 times 19.9423% water loss equals \$105,828.74.

⁹ Case No. 2025-00009, *Electronic Application of North McLean County Water District for an Alternative Rate Filing Adjustment* (filed Jan. 13, 2025).

¹⁰ Case No. 2025-00009, *Electronic Application of North McLean County Water District for an Alternative Rate Filing Adjustment* (filed Jan. 13, 2025).

Purchased Water Adjustment Factor

In its application, North McLean District proposed a purchased water adjustment factor of \$0.19 per 1,000 gallons. During the 12 months ended December 31, 2024, North McLean District purchased 129,243,000 gallons of water from McLean Regional Commission, 5,765,500 gallons of water from Daviess District and zero gallons from Ohio District. During the same 12-month period, North McLean District sold 104,305,900 gallons of water to its customers. The increase in the cost of purchased water from McLean Regional Commission is \$19,386.45, resulting in a purchased water adjustment factor of \$0.19 per 1,000 gallons. No rate changes occurred from Daviess District or Ohio District.

The purchased water adjustment factor of \$0.19 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 North McLean District on and after March 1, 2025, because the rates are supported by evidence of the increase in rates from North McLean 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 \$0.19 per 1,000 gallons is approved.
2. The rates proposed by North McLean District as set forth in Appendix B are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North McLean District on and after March 1, 2025.


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

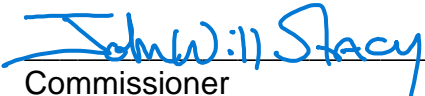
5. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:

 AP
Executive Director

ENTERED
MAR 18 2025 jdc
KENTUCKY PUBLIC
SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00026 DATED MAR 18 2025

	Base Rate	New Rate	Change
<u>McLean Regional Commission</u>			
Purchases in Gallons	129,243,000	129,243,000	
Rate per 1,000 Gallons	<u>\$3.77/1,000</u>	<u>\$3.92/1,000</u>	
Subtotal	\$487,246.11	\$506,632.56	\$19,386.45
 <u>Daviess District</u>			
Purchases in Gallons	5,765,500	5,765,500	
Rate per 1,000 Gallons	<u>\$4.17/1,000</u>	<u>\$4.17/1,000</u>	
Sub-total	\$24,042.14	\$24,042.14	no change
 <u>Ohio District</u>			
Purchases in Gallons	0	0	
Rate per 1,000 Gallons	<u>\$3.29/1,000</u>	<u>\$3.29/1,000</u>	
Sub-total	\$0.00	\$0.00	no change
 Total	 \$511,288.25	 \$530,674.70	
 Increased water cost			 \$19,386.45
 Increased water cost		\$19,386.45	
Divided by Gallons sold/1,000		<u>104,305,900</u>	
Purchased water adjustment		\$0.1859	per 1,000 Gallons
factor		or \$ 0.00019	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00026 DATED MAR 18 2025

The following rates and charges are prescribed for the customers in the area served by North McLean 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

First	2,000 Gallons	24.69	Minimum Bill
Next	8,000 Gallons	0.00940	Per Gallon
Next	30,000 Gallons	0.00868	Per Gallon
Over	40,000 Gallons	0.00799	Per Gallon

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