

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
ELKHORN WATER DISTRICT)	2017-00175

ORDER

On April 24, 2017, Elkhorn Water District (“Elkhorn”) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2016 Annual Report Elkhorn reported a water loss of 15.2338 percent.² Elkhorn’s application provides updated purchases and sales information for a more current period than the 2016 Annual Report. Commission regulation 807 KAR 5:066(6)(3) states that “for rate making purposes a utility’s unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water consumed by a utility in its own operations.” Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2016 Annual Report,³ Elkhorn’s unaccounted-for water loss is determined to be 19.5333 percent for the updated period.⁴

¹ KRS 278.015; 807 KAR 5:068.

² 2016 Annual Report at 56, line 33.

³ 2016 Annual Report at 56, line 21, divided by line 4, (2,447 divided by 62,742) equals 3.9 percent.

⁴ Total Purchases (application PWA Form 1 at 2)	67,773,000
Less Total Sales (application PWA Form 1 at 2)	51,891,489
Less plant use (% determined from 2016 AR)	<u>2,643,214</u>
Water loss - gallons	13,238,297
Water loss - percent	19.5333

Reduction of Elkhorn's unaccounted-for water loss to 15 percent would result in an approximate \$7,527⁵ decrease to purchased water expense. Potentially, Elkhorn is paying \$0.15 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent⁶ threshold.

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

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Elkhorn purchases water from Frankfort Electric Water & Plant Board ("Frankfort").
2. Frankfort increased its wholesale rate to Elkhorn from \$2.35 per 1,000 gallons to \$2.45 per 1,000 gallons effective November 1, 2016.⁷ Elkhorn proposes to increase the water rates to its customers effective May 1, 2017, to reflect the increased cost of purchased water.
3. Elkhorn proposes a purchased water adjustment factor of \$0.27 per 1,000 gallons.

⁵ Water loss above 15 percent 04.5333, Potential purchased water expense reduction (water cost at new wholesale rate times water loss above 15 percent) = \$ 7,527

⁶ Potential purchased water expense reduction divided by sales (\$7,527/(51,891,489/1,000)) equals \$0.15/1,000.

⁷ Case No. 2014-00254, *Proposed Adjustment of the Wholesale Water Service Rates of Frankfort Electric and Water Plant Board* (Ky. PSC Dec. 3, 2014).

4. Elkhorn requests a deviation from 807 KAR 5:068, Section 1(5), establishing the definition of the supplier's base rate as the rate in effect immediately prior to the most recent increase. Elkhorn did not pass through Frankfort's November 15, 2015 wholesale rate increase from \$2.25 per 1,000 gallons to \$2.35 per 1,000 gallons.

5. During the 12 months ended December 31, 2016, Elkhorn purchased 67,773,000 gallons of water from Frankfort. During the same period, Elkhorn sold 51,891,489 gallons of water. The increase in the cost of purchased water is \$13,554.60, resulting in a purchased water adjustment factor of \$0.27 per 1,000 gallons.

6. The purchased water adjustment factor of \$0.27 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved.

7. Elkhorn's rates proposed in the application should be approved.

8. 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 Elkhorn on and after May 1, 2017.

IT IS THEREFORE ORDERED that:

1. Elkhorn's request to deviate from 807 KAR 5:068, Section 1(5), is approved.

2. The purchased water adjustment factor of \$0.27 per 1,000 gallons is approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Elkhorn on and after May 1, 2017.

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

By the Commission

ENTERED
MAY 16 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00175 DATED **MAY 16 2017**

	New Rate	Base Rate
Elkhorn		
Purchases in gallons	67,773,000	67,773,000
Frankfort Volumetric rate	\$ <u>2.45/1,000</u>	\$ <u>2.25/1,000</u>
	\$ 166,043.85	\$ 152,489.25

Increased water cost \$ 13,554.60

Increased water cost	\$	13,554.60
Divided by gallons sold/1,000		<u>51,891,489</u>
Purchased water adjustment factor	\$	0.261

or \$ 0.27 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-0175 DATED **MAY 16 2017**

The following rates and charges are prescribed for the customers in the area served by Elkhorn 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	\$ 15.47 Minimum Bill
Next	3,000 Gallons	6.09 Per 1,000 Gallons
Next	5,000 Gallons	5.51 Per 1,000 Gallons
Over	10,000 Gallons	4.28 Per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$ 33.74 Minimum Bill
Next	5,000 Gallons	5.51 Per 1,000 Gallons
Over	10,000 Gallons	4.28 Per 1,000 Gallons

1 1/2-Inch Meter

First	10,000 Gallons	\$ 61.29 Minimum Bill
Over	10,000 Gallons	4.28 Per 1,000 Gallons

Mobile Home Parks

Monthly Minimum Bills

South Creek	15,000 Gallons	\$ 116.03
Elkhorn	76,000 Gallons	\$ 587.86
Capital	125,000 Gallons	\$ 966.88

Emergency Wholesale Rate

\$ 4.28 Per 1,000 Gallons

*Michael Dudgeon
Chairman
Elkhorn Water District
P. O. Box 67
Frankfort, KY 40602

*Elkhorn Water District
7165 US 127 North
P. O. Box 67
Frankfort, KY 40602

*Honorable Warner A Broughman, III
Attorney At Law
Warner A. Broughman III & Associates
3161 Custer Drive
Lexington, KENTUCKY 40517