

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
NEBO WATER DISTRICT)	2018-00104

ORDER

On March 15, 2018, Nebo Water District (“Nebo”) applied for approval to adjust its rates pursuant to the purchased water adjustment (“PWA”) procedure.¹

The Commission notes that in its 2016 Annual Report Nebo reported a water loss of 17.6115 percent.² Nebo’s application provides updated purchases and sales information for a more current period than the 2016 Annual Report. 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. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2016 Annual Report,³ Nebo’s unaccounted-for water loss is determined to be 21.0299 percent for the updated period.⁴

¹ KRS 278.015; 807 KAR 5:068.

² 2016 Annual Report at 57.

³ 2016 Annual Report, line 21, divided by line 4, (3,272 divided by 111,609) equals 2.93 percent.

⁴ Total Purchases (application PWA Form 1 at 2)	105,089,000
Less Total Sales (application PWA Form 1 at 2)	79,908,000
Less plant use (% determined from 2016 AR)	<u>3,080,856</u>
Water loss - gallons	22,100,144
Water loss - percent	21.0299

Reduction of Nebo's unaccounted-for water loss to 15 percent would result in an approximate \$25,148⁵ decrease to purchased water expense. Potentially, Nebo is paying \$0.31 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 Nebo to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Nebo to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

On March 30, 2018, Nebo filed a letter informing the Commission that the Nebo Board of Commissioners voted at their regular monthly board meeting to amend the application, revising the proposed PWA factor originally requested in the application from (\$0.55) to (\$0.54) per 1,000 gallons.⁷ The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Nebo purchases water from the city of Madisonville ("Madisonville") and Webster County Water District ("Webster District").
2. Madisonville notified Nebo that its wholesale rate would decrease from \$4.39 per 1,000 gallons to \$3.97 per 1,000 gallons effective March 31, 2018.⁸ Nebo

⁵ Water loss above 15 percent is 6.0299 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$25,148.

⁶ Potential purchased water expense reduction divided by sales (\$25,148/(79,908,000/1,000)) equals \$0.31/1,000.

⁷ Letter received March 30, 2018, from J E Ellis, Chairman of Nebo Water District.

⁸ TFS 2018-00057 (Ky. PSC filed Feb. 5, 2018); the tariff was accepted for filing by the Commission by letter dated March 29, 2018.

proposes to decrease the water rates to its customers effective March 31, 2018, to reflect the decreased cost of purchased water from Madisonville.

3. Nebo proposed a purchased water adjustment factor of (\$0.54) per 1,000 gallons.

4. During the 12 months ended December 31, 2017, Nebo purchased 104,511,000 gallons of water from Madisonville and 578,000 gallons of water from Webster District. During the same period, Nebo sold 79,908,000 gallons of water. The decrease in the cost of purchased water is \$43,894.62, resulting in a purchased water adjustment factor of (\$0.54) per 1,000 gallons.

5. The purchased water adjustment factor of (\$0.54) per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

6. Nebo's proposed rates, as set forth in Appendix B to this Order, are fair, just and reasonable and should be approved for water service rendered by Nebo on and after March 31, 2018.

IT IS THEREFORE ORDERED that:

1. The rates proposed in the application by Nebo are denied.

2. The purchased water adjustment factor of (\$0.54) 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 Nebo on and after March 31, 2018.

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

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By the Commission



ATTEST:


Executive Director

Case No. 2018-00104

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2018-00104 DATED **APR 06 2018**

	New Rate	Base Rate
Madisonville		
Purchases in Gallons	104,511,000	104,511,000
Wholesale rate	<u>\$ 3.97/1,000</u>	<u>\$ 4.39/1,000</u>
Total	\$414,908.67	\$ 458,803.29
Webster District		
Purchases in Gallons	578,000	578,000
Wholesale rate	<u>\$ 3.70/1,000</u>	<u>\$ 3.70/1,000</u>
Total	\$2,138.60	\$2,138.60
Total Cost	\$417,047.27	\$ 460,941.89
Decreased water cost		\$ 43,894.62
Decreased water cost		\$ 43,894.62
Divided by Gallons sold/1,000		<u>79,908,000</u>
Purchased water adjustment factor		\$ (0.549) per 1,000 Gallons
		or (\$ 0.54) per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00104 DATED **APR 06 2018**

The following rates and charges are prescribed for the customers in the area served by Nebo 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	\$ 21.75 Minimum Bill
Next	2,000 Gallons	8.87 Per 1,000 Gallons
Next	6,000 Gallons	8.37 Per 1,000 Gallons
Next	10,000 Gallons	7.88 Per 1,000 Gallons
Over	20,000 Gallons	7.38 Per 1,000 Gallons

1 – Inch Meter

First	4,000 Gallons	\$ 39.49 Minimum Bill
Next	6,000 Gallons	8.37 Per 1,000 Gallons
Next	10,000 Gallons	7.88 Per 1,000 Gallons
Over	20,000 Gallons	7.38 Per 1,000 Gallons

1 1/2 – Inch Meter

First	10,000 Gallons	\$ 89.71 Minimum Bill
Next	10,000 Gallons	7.88 Per 1,000 Gallons
Over	20,000 Gallons	7.38 Per 1,000 Gallons

2 – Inch Meter

First	20,000 Gallons	\$ 168.51 Minimum Bill
Over	20,000 Gallons	7.38 Per 1,000 Gallons

3 – Inch Meter

First	30,000 Gallons	\$242.31 Minimum Bill
Over	30,000 Gallons	7.38 Per 1,000 Gallons

4 – Inch Meter

First	50,000 Gallons	\$ 389.91 Minimum Bill
Over	50,000 Gallons	7.38 Per 1,000 Gallons

*J.E. Ellis
Chairman
Nebo Water District
45 North Bernard Street
Nebo, KY 42441

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