

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF) CASE NO.
LEVEE ROAD WATER ASSOCIATION, INC.) 2018-00184

ORDER

On June 4, 2018, Levee Road Water Association (“Levee Road”) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2016 Annual Report Levee Road reported a water loss of 12.2069 percent.² However, further review found that Levee Road misreported its water loss in the 2016 Annual Report, having reported water loss in the amount of 8,339,000 gallons as other water used. This amount should have been included in the total water loss in the Annual Report. Levee Road’s application provides updated purchase 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 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 corrected water loss as determined from the utility’s 2016 Annual Report,³ Levee Road’s unaccounted-for water loss is

¹ KRS 278.015; 807 KAR 5:068.

² 2016 Annual Report at 45.

³ 2016 Annual Report, Water Statistics, line 18 plus line 19, divided by line 4, (58 divided by 52,716) equals 0.11 percent.

determined to be 24.7115 percent for the updated period.⁴ Reduction of Levee Road’s unaccounted-for water loss to 15 percent would result in an approximate \$15,276.87⁵ decrease to purchased water expense. Potentially, Levee Road is paying approximately \$0.40 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 Levee Road to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Levee Road 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. Levee Road purchases water from the Mt. Sterling Water and Sewer System (“Mt. Sterling”).
2. Mt. Sterling notified Levee Road that its wholesale rate would increase from \$3.02 per 1,000 gallons to \$3.11 per 1,000 gallons effective July 1, 2018.⁷ Levee Road

⁴ Total Purchases (application PWA Form 1 at 2)	50,581,000
Less Total Sales (application PWA Form 1 at 2)	38,026,000
Less plant use (% determined from 2016 Annual Report)	<u>55,651</u>
Water loss - gallons	12,499,349
Water loss - percent	24.7115

⁵ Water loss above 15 percent is 9.7115 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$15,276.87

⁶ Potential purchased water expense reduction divided by sales (\$15,276.87/(38,026,000/1,000) equals \$0.40/1,000.

⁷ TFS 2018-00249 (Ky. PSC filed May 24, 2018); the tariff was accepted for filing by the Commission by letter dated June 15, 2018.

proposed to increase the water rates to its customers effective July 1, 2018, to reflect the increased cost of purchased water from Mt. Sterling.

3. Levee Road proposed a purchased water adjustment factor of \$0.12 per 1,000 gallons in its application.

4. During the 12 months ended April 30, 2018, Levee Road purchased 50,581,029 gallons of water from Mt. Sterling. During the same period, Levee Road sold 38,026,740 gallons of water. The increase in the cost of purchased water is \$4,552.29, resulting in a purchased water adjustment factor of \$0.12 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.12 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

6. Levee Road's proposed rates should be approved.

7. 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 Levee Road on and after July 1, 2018.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.12 per 1,000 gallons is approved.

2. The rates proposed by Levee Road are approved.

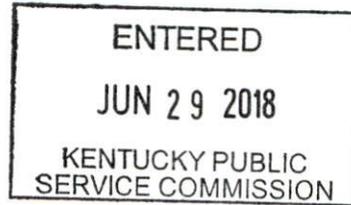
3. The rates set forth in Appendix B to this Order are approved for water service rendered by Levee Road on and after July 1, 2018.

4. In the future, Levee Road shall properly report water loss in its Annual Report that is in conformance with the Commission's water loss reporting requirements.

5. Within 20 days of the date of entry of this Order, Levee Road 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

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00184 DATED **JUN 29 2018**

	New Rate	Base Rate
Mt. Sterling		
Purchases in gallons	50,581,029	50,581,029
Volumetric rate	<u>\$ 3.11/1,000</u>	<u>\$ 3.02/1,000</u>
	\$157,307.00	\$152,754.71

Increased water cost \$4,552.29

Increased water cost	\$ 4,552.29
Divided by gallons sold/1,000	<u>38,026,029</u>
	\$0.1197

Purchased water adjustment factor \$0.12 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00184 DATED **JUN 29 2018**

The following rates and charges are prescribed for the customers in the area served by Levee Road Water Association. 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

First	1,000 Gallons	\$11.37	per 1,000 Gallons
Next	2,000 Gallons	4.97	per 1,000 Gallons
Next	3,000 Gallons	4.27	per 1,000 Gallons
Next	19,000 Gallons	3.52	per 1,000 Gallons
Next	25,000 Gallons	3.17	per 1,000 Gallons
Over	50,000 Gallons	2.87	per 1,000 Gallons
Commercial Hauler		\$5.25	per 1,000 Gallons
Any Individual who has a Private Loading Unit		\$5.25	per 1,000 Gallons
All Water Purchased from Water Coin Vendor		\$5.75	per 1,000 Gallons

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