

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF) CASE NO.
SOUTH WOODFORD COUNTY WATER DISTRICT) 2018-00277

ORDER

On August 20, 2018, South Woodford Water District (South Woodford District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2017 Annual Report, South Woodford District reported a water loss of 20.5793 percent.² South Woodford District's application provides updated purchase and sales information for a more current period than the 2017 Annual Report. Commission regulation 807 KAR 5:066(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 2017 Annual Report,³ South Woodford District's

¹ KRS 278.012; 807 KAR 5:068.

² 2017 Annual Report at 56.

³ 2017 Annual Report, Water Statistics, line 21, divided by line 4, (19,100 divided by 187,324) equals 10.20 percent.

unaccounted-for water loss is determined to be 21.1380 percent for the updated period.⁴ Reduction of South Woodford District’s unaccounted-for water loss to 15 percent would result in an approximate \$28,583.48⁵ decrease to purchased water expense. Potentially, South Woodford District is paying approximately \$0.22 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 South Woodford District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by South Woodford District 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 otherwise sufficiently advised, finds that:

1. South Woodford District purchases water from the city of Versailles (Versailles).

⁴ Total Purchases (application PWA Form 1 at 2)	192,430,000
Less Total Sales (application PWA Form 1 at 2)	132,133,500
Less plant use (% determined from 2016 Annual Report)	<u>19,620,620</u>
Water loss - gallons	40,675,880
Water loss - percent	21.1380

⁵ Water loss above 15 percent is 6.1380 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$28,583.48

⁶ Potential purchased water expense reduction divided by sales (\$28,583.48/(132,133,500/1,000) equals \$0.22/1,000.

2. Versailles notified South Woodford District that its wholesale rate would increase from \$2.33 per 1,000 gallons to \$2.42 per 1,000 gallons effective July 1, 2018.⁷ South Woodford District proposes to increase the water rates to its customers effective August 1, 2018, to reflect the increased cost of purchased water from Frankfort.

3. South Woodford District proposed a purchased water adjustment factor of \$0.13 per 1,000 gallons in its application.

4. During the 12 months ended July 31, 2018, South Woodford District purchased 192,430,000 gallons of water from Versailles. During the same period, South Woodford District sold 132,133,500 gallons of water. The increase in the cost of purchased water is \$17,318.70, resulting in a purchased water adjustment factor of \$0.14 per 1,000 gallons.

5. In its application, South Woodford District miscalculated the purchased water adjustment factor.

6. The purchased water adjustment factor of \$0.14 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

7. South Woodford District's proposed rates are denied.

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 South Woodford District on and after August 1, 2018.

⁷ TFS 2018-00216 (Ky. PSC filed May 7, 2018); the tariff was accepted for filing by the Commission by letter dated June 13, 2018.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.14 per 1,000 gallons is approved.
2. The rates proposed by South Woodford District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by South Woodford District on and after August 1, 2018.
4. Within 20 days of the date of entry of this Order, South Woodford 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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By the Commission



ATTEST:


Executive Director

Case No. 2018-00277

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00277 DATED **SEP 05 2018**

	New Rate	Base Rate
Versailles		
Purchases in Gallons	192,430,000	192,430,000
Wholesale rate	<u>\$ 2.42/1,000</u>	<u>\$ 2.33/1,000</u>
	\$465,680.60	\$448,361.90
Increased water cost		\$ 17,318.70
Increased water cost		\$ 17,318.70
Divided by Gallons sold/1,000		<u>132,133,500</u>
Purchased water adjustment factor		\$ 0.1311 per 1,000 Gallons
		or \$ 0.14 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00277 DATED **SEP 05 2018**

The following rates and charges are prescribed for the customers in the area served by South Woodford District 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 Rates

First	2,000 Gallons	\$20.48	Minimum Bill
Next	2,000 Gallons	4.99	per 1,000 Gallons
Next	6,000 Gallons	4.78	per 1,000 Gallons
Next	90,000 Gallons	4.45	per 1,000 Gallons
Over	100,000 Gallons	4.05	per 1,000 Gallons

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