

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF WEBSTER COUNTY WATER) CASE NO. 2000-423
DISTRICT TO ADD A LEAK ADJUSTMENT POLICY)

ORDER

Webster County Water District (“Webster District”) has filed proposed revisions to its existing leak adjustment policy. Finding that Webster District has failed to demonstrate the reasonableness of the proposed revisions, we deny the proposed revisions.

Webster District, a water district organized pursuant to KRS Chapter 74, provides water service to approximately 1,321 retail customers in Webster County, Kentucky and to the cities of Slaughters, Dixon, and Clay, Kentucky. Under its present tariff, Webster District authorizes an adjustment to residential customers’ bills for water leaks provided that no such adjustment has been made in the prior 12 months, proof of the leak and its correction is presented, and the leak is “unintentional.”¹ A residential customer qualifying for the adjustment pays only an amount based upon his average usage for the previous 6 months plus one-half of the water lost through the unintentional leak.²

¹ Webster District Tariff Sheet “Leak Adjustment Policy.”

² Id. Webster District asserts this policy permits recovery of its cost of water production.

Based upon its estimates, Webster District reduced residential bills by approximately \$8,500 to adjust for water leaks in 1999.³

Under Webster District's proposed revision to its leak adjustment policy, a residential customer with an unintentional leak will pay an amount based upon his or her 6-month average usage, plus \$50.00, plus a sum equal to one-half the cost of the unintentional leak in excess of his 6-month average usage plus \$50.00 in usage. A customer, however, may elect to pay an annual fee of \$7.00. For this annual fee, Webster District charges only \$50 plus an amount equal to the customer's 6-month average usage.⁴

³ Webster District's Response to Commission Staff's Interrogatories and Request for Production of Documents at Item 9.

⁴ For example, a customer who has an average usage of 2,000 gallons and a leak of 54,000 gallons would pay \$232.15. A customer who has the same usage and leakage amount, but pays the annual fee will be charged only \$67.50. The amounts are calculated below:

Residential Rates:	First 2,000 gallons	\$17.50 (Minimum Bill)
	Next 4,000 gallons	7.95 per 1,000 gallons
	Next 94,000 gallons	6.95 per 1,000 gallons
	Over 100,000 gallons	4.19 per 1,000 gallons

With No Adjustment:

2,000 gallon usage	=	\$ 17.50
4,000 gallons @ 7.95 per 1,000 gallons	=	31.80
50,000 gallons @ 6.95 per 1,000 gallons	=	<u>347.50</u>
Total		<u>\$396.80</u>

With Proposed Leak Adjustment (No Annual Fee):

$$\begin{aligned} \text{Customer Payment} &= \text{Minimum Bill} + \$50 + (\text{Usage in excess of } \$50 \div 2) \\ &= \$17.50 + \$50 + ((\$31.80 + \$347.50 - \$50) \div 2) \\ &= \$232.15. \end{aligned}$$

With Proposed Leak Adjustment (Annual Fee):

$$\begin{aligned} \text{Customer Payment} &= \text{Minimum Bill} + \$50 \\ &= \$17.50 + \$50 \\ &= \$67.50. \end{aligned}$$

Webster District has failed to demonstrate the viability of its proposed revisions. Webster District has not conducted any research to determine the potential level of customer participation.⁵ As Webster District's program is based upon 100 percent participation of its residential customers,⁶ the lack of such research is a critical concern. Without reliable information regarding projected customer participation levels, the Commission is unable to make any assessment of the proposed policy's financial viability.

Of equal concern to us is the lack of any contingency planning on Webster District's part. When asked what actions Webster District would take to ensure that non-participating customers did not subsidize the proposed policy if the required revenues failed to materialize,⁷ the water district failed to offer any proposed measures. Without such planning and without adequate customer research, we believe that Webster District will incur substantial and unjustified risks that will ultimately have to be borne by non-participating customers.

Having considered the proposed revisions and being otherwise sufficiently advised, we find that Webster District has failed to demonstrate that the proposed revisions are reasonable and that the proposed revisions should be denied. While denying Webster District's proposed revision, we commend its efforts to provide additional services to its customers. We encourage Webster District, when designing

⁵ Webster District's Response to Commission Staff's Interrogatories and Request for Production of Documents at Item 8. Webster District has acknowledged that the level of customer participation is unknown. See Webster District's Response to Commission Staff's Interrogatories and Request for Production of Documents at Item 13.

⁶ Id. at Item 11.

⁷ Id.

new service programs, to consult with Commission Staff regarding the customer survey data and market projections necessary to support such programs.

IT IS THEREFORE ORDERED that the proposed revisions to Webster District's leak adjustment policy are denied.

Done at Frankfort, Kentucky, this 7th day of March, 2001.

By the Commission

ATTEST:


Executive Director