

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF BEECH GROVE)	2023-00078
WATER SYSTEM, INC.)	

ORDER

On March 3, 2023, Beech Grove Water System, Inc. (Beech Grove Water) filed an application for approval of a two-phase adjustment to its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068. On March 6, 2023, Beech Grove Water filed an amended application to correct certain information contained in the March 3, 2023 application. Beech Grove Water requested the rate adjustment be effective on and after April 1, 2023.

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water association changes its rates, the water association has the authority to increase or decrease its rate commensurate with the wholesale supplier. The water association must file a copy of the notice from the wholesale supplier showing the change in the wholesale rate, and a statement of the volume of purchased water used to calculate the rate adjustment. KRS 278.012 requires the Commission shall approve the filing by order no later than 30 days after the above documents are filed.

Pursuant to 807 KAR 5:001E, Section 4(5), an amended application shall not relate back to the date of the original application filing date unless the Commission orders otherwise for good cause shown.

Commission regulation 807 KAR 5:068, Section 4(2)(b) provides that a utility shall file a purchase water adjustment application no earlier than 30 days prior to the proposed effective date of the suppliers changed rate and no later than 20 days after the utility, without prior approval, adjusts its rates to reflect the change in purchased water costs due to the wholesale supplier's changed rate.

However, KRS 278.180(2) provides that the Commission may shorten the notice period when the utility is requesting a reduction of rates.

DISCUSSION AND FINDINGS

Beech Grove Water purchases water from Henderson Water Utility (Henderson Water) and Daviess Water District (Daviess District). Henderson Water notified Beech Grove Water that its wholesale rate would decrease from \$3.8117 per 1,000 gallons to \$3.3580 per 1,000 gallons, effective March 1, 2023.¹ Daviess District notified Beech Grove Water that its wholesale rate would decrease from \$4.84 per 1,000 gallons to \$4.18 per 1,000 gallons, effective February 10, 2023.²

As described below, Beech Grove Water proposed to decrease the water rates to its customers in two phases, with the first phase effective April 1, 2023, and the second phase effective September 27, 2023, to reflect the decreased cost of purchased water

¹ TFS 2023-00086 (Ky. PSC Feb. 2, 2023); Beech Grove Water submitted the tariff on Jan. 31, 2023, and the tariff was accepted for filing by the Commission by letter dated Feb. 28, 2023, with an effective date of March 1, 2023.

² Case No. 2022-00142 *Electronic Application of Daviess County Water District for an Adjustment of Rates* (Ky. PSC Feb. 10, 2023), final Order.

from Henderson Water and Daviess District. Because 807 KAR 5:068, Section 4(2)(b) requires an application to be filed no earlier than 30 days prior to the proposed effective date, the application would have had to be filed by March 2, 2023 in order for phase 1 rates to be effective as of April 1, 2023. If the March 6, 2023 amended application does not relate back to the March 3, 2023 filing date of the original application, then, under 807 KAR 5:068, Section 4(2)(b), the earliest effective date for the proposed phase 1 rate decrease is April 5, 2023. If the amended application relates back to the March 3, 2023 filing date, the earliest effective date for the proposed phase 1 rate decrease is April 2, 2023. However, under KRS 278.180(2), the Commission can shorten this period if the utility is requesting a reduction of rates, such as Beech Grove Water requested here. Based upon a review of the case record and 807 KAR 5:001E, Section 4(5), the Commission finds that good cause exists for the amended application to relate back to the March 3, 2023 filing date because that will permit Beech Grove Water to decrease the rates sooner and thus accrue a benefit to its customers sooner. The Commission further finds that good cause exists to shorten the notice period under KRS 278.180(2) because the propose rates reflect a rate decrease. Based upon the March 3, 2023 filing date, and the shortened notice period under KRS 278.180(2), the Commission finds that the effective date for the proposed phase 1 rate decrease should be April 1, 2023.

Unaccounted-for Water

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. In its 2021 Annual Report filed with the Commission, Beech Grove Water

reported a water loss of 22.1370 percent.³ Beech Grove Water’s application provides updated purchase and sales information for the period of January 2022 through December 2022. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2021 Annual Report, Beech Grove Water’s unaccounted-for water loss is 18.1977 percent for the updated period.⁴ Reduction of Beech Grove Water’s unaccounted-for water loss to 15 percent would result in an approximate \$7,864.87 decrease to purchased water expense.⁵ Potentially, Beech Grove Water is paying approximately \$0.1329 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁶ The cost of Beech Grove Water’s total water loss is \$44,754.52.⁷

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Beech Grove Water to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Beech Grove Water to make significant

³ *Annual Report of Beech Grove Water to the Public Service Commission for the Year Ended December 31, 2021* at 58.

⁴ Total Purchases (application PWA Form 1 at 2)	72,419,895
Less Total Sales (application PWA Form 1 at 2)	59,174,620
Less Plant Use (% determined from 2021 Annual Report)	66,554
Water Loss – Gallons	13,178,721
Water Loss – Percent	18.198%

⁵ Water loss above 15% is 0.03198, potential purchased water expense reduction (Total water cost at new wholesale rate of \$245,931 times water loss above 15%) equals \$7,864.87.

⁶ Potential purchased water expense reduction divided by sales (\$7,864.87/ (59,174,620/1,000)) equals \$0.1329 per 1,000 gallons.

⁷ Total water cost at new wholesale rate of \$245,931 x 18.198% water loss = \$44,754.52.

progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Financial Condition and Rates

Based on a review of Commission records, Beech Grove Water sought a general base rate adjustment in 2022. In Beech Grove Water's recent rate case,⁸ a monthly water loss reduction surcharge of \$6.30 per customer was established. A two-year rate phase-in was implemented in the case. Phase 1, which included the water loss surcharge, took effect in year one with phase 2 rates scheduled to take effect on September 27, 2023.

Purchased Water Adjustment Factor

In its application, Beech Grove Water proposed a purchased water adjustment factor of (\$0.57) per 1,000 gallons. During the 12 months ended December 31, 2022, Beech Grove Water purchased 69,038,895 gallons of water from Henderson Water and 3,381,000 gallons of water from Daviess District and sold 59,174,620 gallons of water to its customers. The decrease in the cost of purchased water from Henderson Water and Daviess District is \$33,588, resulting in a purchased water adjustment factor of (\$0.57) per 1,000 gallons. Beech Grove Water proposed a purchased water adjustment factor decrease of \$0.57 per 1,000 gallons taking effect on current rates as of April 1, 2023. In addition, on September 27, 2023, a Commission-approved rate increase is scheduled to take effect in Case No. 2022-00054.⁹ These rates will also be decreased by \$0.57 per 1,000 gallons to reflect the revised purchased water adjusted factor. Thus, although

⁸ Case No. 2022-00054 *Electronic Application of Beech Grove Water System, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Feb. 10, 2023), final Order.

⁹ Case No. 2022-00054 *Electronic Application of Beech Grove Water System, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Feb. 10, 2023), final Order.

Beech Grove Water requested to implement the purchased water adjustment factor decrease in two phases, the amount of the proposed purchased water adjustment factor will not change from phase 1 to phase 2.

The purchased water adjustment factor of (\$0.57) per 1,000 gallons, as calculated in Appendix A and the rates as set forth in Appendix B and Appendix C to this Order are fair, just and reasonable and should be approved for water service rendered by Beech Grove Water on and after April 2, 2023, for current rates and on and after September 27, 2023, for phase 2 rates approved in Case No. 2022-00054, because the rates are supported by evidence of the decrease in rates from Beech Grove Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

IT IS THEREFORE ORDERED that:

1. The March 6, 2023 amended application relates back to the March 3, 2023 filing date of the original application.
2. Beech Grove Water's amended application is deemed filed as of March 3, 2023.
3. The purchased water adjustment factor of (\$0.57) per 1,000 gallons is approved.
4. The rates proposed by Beech Grove Water are approved.
5. The rates as set forth in Appendix B to this Order are approved for water service rendered by Beech Grove Water on and after April 2, 2023.
6. The rates as set forth in Appendix C to this Order are approved for water service rendered by Beech Grove Water on and after September 27, 2023.

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

8. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00078 DATED MAR 31 2023

	Base Rate	New Rate	Change
<u>Henderson Water Utility</u>			
Purchases in Gallons	69,038,895	69,038,895	
Wholesale rate	<u>\$ 3.8117/1,000</u>	<u>\$3.3580/1,000</u>	
Sub-total	\$ 263,155.56	\$ 231,832.61	(\$31,322.95)
 <u>Daviess District</u>			
Purchases in Gallons	3,381,000	3,381,000	
Wholesale rate	<u>\$ 4.84/1,000</u>	<u>\$4.17/1,000</u>	
Sub-total	\$ 16,364.04	\$ 14,098.77	(\$2,265.27)
 Total	 \$ 279,519.60	 \$ 245,931.38	 (\$33,588.22)

Decreased water cost	(\$33,588.22)
Divided by Gallon sold/1,000	<u>59,174,620</u>
Purchased water adjustment factor	(\$0.5676) per 1,000 gallons

or (\$0.57) per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00078 DATED MAR 31 2023

The following rates and charges are prescribed for the customers in the area served by Beech Grove Water System. 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 effective as of April 2, 2023

First	2,000 Gallons	18.98	Minimum Bill
Next	98,000 Gallons	0.00630	Per Gallon
Over	100,000 Gallons	0.00540	Per Gallon
Bulk Loading Station		0.005930	Per Gallon

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00078 DATED MAR 31 2023

The following rates and charges are prescribed for the customers in the area served by Beech Grove Water System. 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 effective as of September 27, 2023

First	2,000 Gallons	20.11	Minimum Bill
Next	98,000 Gallons	0.00670	Per Gallon
Over	100,000 Gallons	0.00574	Per Gallon
Bulk Loading Station		0.00650	Per Gallon

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