#### COMMONWEALTH OF KENTUCKY

#### BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF ) CASE NO. PEAKS MILL WATER DISTRICT ) 2017-00040

#### ORDER

On January 12, 2017, Peaks Mill Water District ("Peaks Mill") applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup>

The Commission notes that in its 2015 Annual Report, Peaks Mill reported a water loss of 39.5741 percent.<sup>2</sup> Peaks Mill's application provides updated purchases and sales information for a more current period than the 2015 Annual Report. Commission regulation 807 KAR 5:066 Section (6)(3), states that "for rate making purposes a utility's unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water used 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 2015 Annual Report,<sup>3</sup> Peaks Mill's unaccounted-for water loss is determined to be 44.97 percent for the updated period.<sup>4</sup>

<sup>&</sup>lt;sup>1</sup> KRS 278.015; 807 KAR 5:068.

<sup>&</sup>lt;sup>2</sup> 2015 Annual Report at 61, line 33.

<sup>&</sup>lt;sup>3</sup> 2015 Annual Report, at 61, line 21, divided by line 4, (4,158,000 divided by 96,078,000) equals 4.33 percent.

<sup>4</sup> Total Purchases (application PWA Form 1 pg.2) 93,612,548 Less Total Sales (application PWA Form 1 pg.2) 47,461,200 Less plant use (% determined from 2015 AR) 4,053,423 Water loss – gallons 42,097,925 Water loss – percent 0.4497

Reduction of Peaks Mill's unaccounted-for water loss to 15 percent would result in an approximate \$68,989.<sup>5</sup> decrease to purchased water expense. Potentially, Peaks Mill is paying \$1.45 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent<sup>6</sup> threshold.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the fifteen (15) percent unaccounted-for water loss threshold and strongly encourages Peaks Mill to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Peaks Mill to make significant process towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

In late 2015, Peaks Mill's wholesale supplier, Frankfort Electric & Water Plant Board ("Frankfort"), increased its wholesale rate from \$2.25 to \$2.35 per 1,000 gallons.<sup>7</sup> Peaks Mill did not apply to the Commission at that time for a purchased water adjustment, but has instead now applied for an adjustment to reflect Frankfort's 2015 increase and a subsequent 2016 wholesale rate increase. On January 20, 2017, Peaks Mill requested approval for a deviation from 807 KAR 5:068, Section 1(5), in order to allow Peaks Mill to capture the two years of pass-through increases in its supplier's base rate.

<sup>&</sup>lt;sup>5</sup> Water loss above 15 percent 0.2997.
Potential purchased water expense reduction (Total cost at new wholesale rate times water loss above 15 percent)=\$68,989

Potential purchased water expense reduction divided by sales \$68,989/(47,461,200/1,000) equals \$1.45/1,000.

<sup>&</sup>lt;sup>7</sup> Case No. 2014-0254, *Proposed Adjustment of the Wholesale Water Service Rates of Frankfort Electric and Water Plant Board*, Parties Joint Settlement Stipulation and Recommendation (filed Oct. 10, 2014).

The Commission, having reviewed the record and being sufficiently advised, finds that:

- Peaks Miss purchases water from Frankfort and Kentucky-American
   Water District.
- 2. Frankfort notified Peaks Mill that, effective November 1, 2016, Frankfort's wholesale rate to Peaks Mill would increase to \$2.45 per 1,000 gallons.<sup>8</sup> Peaks Mill proposes to increase the water rates to its customers effective February 1, 2017, to reflect the increased cost of purchased water.
- Peaks Mill proposes a purchased water adjustment factor of \$0.40 per
   1,000 gallons.
- 4. During the 12 months ended October 31, 2016, Peaks Mill purchased a total of 93,612,548 gallons of water, of which 93,163,000 gallons were purchased from Frankfort. During the same period, Peaks Mill sold 47,461,200 gallons of water. The increase in the cost of purchased water is \$18,632.60, resulting in a purchased water adjustment factor of \$0.40 per 1,000 gallons.
- The purchased water adjustment factor of \$0.40 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved.
- Peaks Mill'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 Peaks Mill on and after February 1, 2017.

<sup>8</sup> Id.

7. Peaks Mill's request for a deviation from 807 KAR 5:068, Section 1(5), to allow for two years of pass-through increases in its supplier's base rate is reasonable and should be granted.

#### IT IS THEREFORE ORDERED that:

- Peaks Mill's request for a deviation from 807 KAR 5:068, Section 1(5), is granted.
- 2. The purchased water adjustment factor of \$0.40 per 1,000 gallons is approved.
- Peaks Mill's proposed rates, as set forth in Appendix B to this Order, are approved for water service rendered by Peaks Mill on and after February 1, 2017.
- 4. Within 20 days of the date of this Order, Peaks Mill shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

By the Commission

**ENTERED** 

FEB 0 7 2017

KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Executive Director

#### APPENDIX A

# APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00040 DATED FEB 0 7 2017

	New Rate	Base Rate
Frankfort Purchases in gallons Volumetric rate	93,163,000 \$2.45/1,000 \$228,249.35	93,163,000 \$2.25/1,000 \$209,616.75
Ky-American Purchases in gallons Volumetric rate	449,548 <u>NO CHANGE</u>	449,548 <u>NO CHANGE</u>
	Increased water cost	\$18,632.60

Increased water cost Divided by gallons sold/1,000 Purchased water adjustment factor

\$ 16,632.60 47,461,200 \$ 0.3925 \$ 0.40 per 1,000 gallons or

#### APPENDIX B

## APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00040 DATED FEB 0 7 2017

The following rates and charges are prescribed for the customers in the area served by Peaks Mill 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	\$27.80	Minimum Bill
Next	3,000	Gallons	9.59	per 1,000 Gallons
Next	5,000	Gallons	8.37	per 1,000 Gallons
Over	10,000	Gallons	7.15	per 1,000 Gallons

\*Church Quarles Peaks Mill Water District 7165 US 127 North Frankfort, KY 40601

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