

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
REID VILLAGE WATER DISTRICT)	2017-00277

ORDER

On July 14, 2017, Reid Village Water District ("Reid Village") applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2016 Annual Report Reid Village reported water loss of 12.82 percent². Reid Village's application provides updated purchases 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 fifteen (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 percentage of other water consumed by the utility in its 2016 Annual Report,³ Reid Village's unaccounted-for water loss is determined to be 16.35 percent for the updated period.⁴

¹ KRS 278.012; 807 KAR 5:068.

² 2016 Annual Report at 56, line 33.

³ 2016 Annual Report at 56, line 21, divided by line 4, (6,939 divided by 72,898) equals 9.52 percent.

⁴ Total Purchases (application PWA Form 1 at 2)	76,655,220
Less Total Sales (application PWA Form 1 at 2)	56,821,977
Less plant use (% determined from 2015 AR)	7,296,641
Water loss - gallons	12,536,602
Water loss - percent	0.1635

Reduction of Reid Village's unaccounted-for water loss to 15 percent would result in an approximate \$3,135.72⁵ decrease to purchased water expense. Potentially, Reid Village is paying \$0.06 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 fifteen (15) percent unaccounted-for water loss threshold and strongly encourages Reid Village to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Reid Village 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. Reid Village purchases water from the Mt. Sterling Water and Sewer Commission ("Mt. Sterling").
2. Mt. Sterling notified Reid Village on June 23, 2017, that its wholesale rate to Reid Village would increase from \$2.96 per 1,000 gallons to \$3.02 per 1,000 gallons. Reid Village proposed to increase the water rates to its customers effective August 1, 2017, to reflect the increased cost of purchased water from Mt. Sterling.

⁵ Water loss above 15 percent: 1.35
Potential purchased water expense reduction (cost at new wholesale rate times water loss above 15 percent) = \$ 3,135.72

⁶ Potential purchased water expense reduction divided by sales (\$3,135.72/(56,821,977/1,000) equals \$0.06/1,000.

3. Reid Village proposed a purchased water adjustment factor of \$0.08 per 1,000 gallons in its application, based on a calculation of its increased cost of water being \$0.0809 per 1,000 gallons. Reid Village included proposed rates reflecting an increase of \$0.08 per 1,000 gallons. By letter, Reid Village has subsequently requested to amend its application to propose a revised purchased water adjustment factor of \$0.09 per 1,000 gallons to reflect a rounding up of its increased cost of purchase water, rather than its prior proposal to round down. Reid Village filed a revised schedule of rates to reflect the purchased water adjustment of \$0.09 per 1,000 gallons.⁷

4. During the 12 months ended May 31, 2017, Reid Village purchased 76,655,220 gallons of water from Mt. Sterling. During the same period Reid Village sold 56,821,977 gallons of water. The increase in the cost of purchased water is \$4,599.31, resulting in a purchased water adjustment factor of \$0.09 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.09 per 1,000 gallons, as calculated in Appendix A to this Order, permits Reid Village to pass through the increase in its wholesale rates from Mt. Sterling, is fair, just and reasonable, and should be approved.

6. Reid Village's revised proposed rates filed on July 24, 2017, 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 Reid Village on and after August 1, 2017.

⁷ Letter from Rachel Carmill, District Manager, Reid Village Water District, to the Executive Director, Public Service Commission, filed July 24, 2017.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.09 per 1,000 gallons is approved.
2. Reid Village's revised proposed rates filed on July 24, 2017, are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Reid Village on and after August 1, 2017.
4. Within 20 days of the date of this Order, Reid Village shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

By the Commission



ATTEST:



Acting Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00277 DATED **AUG 09 2017**

	New Rate	Base Rate
Reid Village Mt. Sterling Purchases in gallons	76,655,220	76,655,220
	<u>\$ 3.02/1,000</u>	<u>\$ 2.96/1,000</u>
Total	\$231,498.76	\$226,899.45
Increased water cost		\$ 4,599.31
Increased water cost		\$ 4,599.31
Divided by gallons sold/1,000		<u>56,821,977</u>
Purchased water adjustment factor		\$ 0.0809 per 1,000 gallons or \$ 0.09 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00277 DATED **AUG 09 2017**

The following rates and charges are prescribed for the customers in the area served by Reid Village 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 Water Rates

First	2,000 gallons	\$ 25.55 Minimum Bill
Next	1,000 gallons	8.58 per 1,000 gallons
Next	2,000 gallons	7.99 per 1,000 gallons
Next	5,000 gallons	7.38 per 1,000 gallons
Over	10,000 gallons	6.76 per 1,000 gallons

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