

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
NORTH MANCHESTER WATER ASSOCIATION,)	2017-00466
INC.)	

ORDER

On December 12, 2017, North Manchester Water Association, Inc. (“North Manchester”) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹ By letter dated December 28, 2017, the Commission notified North Manchester that its application was rejected because it contained certain filing deficiencies. On February 9, 2018, North Manchester submitted additional information to correct the filing deficiencies, and the application was accepted for filing as of that date.

The Commission notes that in its 2016 Annual Report North Manchester reported a water loss of 18.3579 percent.² North Manchester’s application provides updated purchase 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 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

¹ KRS 278.012; 807 KAR 5:068.

² 2016 Annual Report at 56.

by the utility in its 2016 Annual Report,³ North Manchester’s unaccounted-for water loss is determined to be 38.6848 percent for the updated period.⁴ Reduction of North Manchester’s unaccounted-for water loss to 15 percent would result in an approximate \$88,894.38⁵ decrease to purchased water expense. Potentially, North Manchester is paying approximately \$0.85 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 North Manchester to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by North Manchester 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. North Manchester purchases water from the city of Manchester (“Manchester”).

³ 2016 Annual Report, Water Statistics (Ref Page: 30), line 21, divided by line 4, (8,720 divided by 161,157) equals 5.41 percent.

⁴ Total Purchases (application PWA Form 1 at 2)	187,661,400
Less Total Sales (application PWA Form 1 at 2)	104,912,519
Less plant use (% determined from 2016 Annual Report)	<u>10,152,482</u>
Water loss - gallons	72,596,399
Water loss - percent	38.6848

⁵ Water loss above 15 percent is 23.6848 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$88,894.38

⁶ Potential purchased water expense reduction divided by sales (\$88,894.38/(104,812,519/1,000) equals \$0.85/1,000.

2. Manchester notified North Manchester that its wholesale rate would increase from \$1.50 per 1,000 gallons to \$2.00 per 1,000 gallons effective January 1, 2018.⁷ North Manchester proposes to increase the water rates to its customers effective January 1, 2018, to reflect the increased cost of purchased water from Manchester.

3. North Manchester proposed a purchased water adjustment factor of \$0.90 per 1,000 gallons in its application.

4. During the 12 months ended September 30, 2017, North Manchester purchased 187,661,400 gallons of water from Manchester. During the same period, North Manchester sold 104,912,519 gallons of water. The increase in the cost of purchased water is \$93,830.70, resulting in a purchased water adjustment factor of \$0.90 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.90 per 1,000 gallons, as calculated in Appendix A to this Order, permits North Manchester to pass through the increase in its wholesale rates from Manchester and is fair, just, and reasonable and should be approved.

6. North Manchester's proposed rates filed with its response to the filing deficiencies 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 North Manchester on and after January 1, 2018.

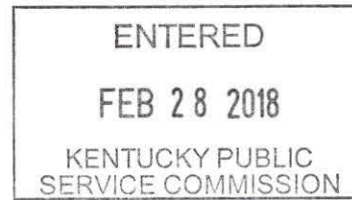
⁷ TFS 2017-00581 (Ky. PSC filed October 19, 2017); the tariff was accepted for filing by the Commission by letter dated December 22, 2017.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.90 per 1,000 gallons is approved.
2. North Manchester's proposed rates filed with its response to the filing deficiencies are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North Manchester on and after January 1, 2018.
4. Within 20 days of the date of entry of this Order, North Manchester shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

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By the Commission



ATTEST:


Executive Director

Case No. 2017-00466

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00466 DATED **FEB 28 2018**

	New Rate	Base Rate
Manchester		
Purchases in gallons	187,661,400	187,661,400
	<u>\$ 2.00/1,000</u>	<u>\$ 1.50/1,000</u>
Total	\$375,322.80	\$ 281,492.10
Increased water cost		\$ 93,830.70
Increased water cost		\$ 93,830.70
Divided by gallons sold/1,000		<u>104,912,519</u>
Purchased water adjustment factor		\$ 0.894 per 1,000 Gallons or \$ 0.90 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00466 DATED **FEB 28 2018**

The following rates and charges are prescribed for the customers in the area served by North Manchester Water Association, Inc. 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

5/8- x 3/4-Inch Meter

First	2,000 Gallons	\$ 21.60 Minimum Bill
Over	2,000 Gallons	6.22 per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$ 40.21 Minimum Bill
Over	5,000 Gallons	6.22 per 1,000 Gallons

2-Inch Meter

First	15,000 Gallons	\$102.29 Minimum Bill
Over	15,000 Gallons	6.22 per 1,000 gallons

3-Inch Meter

First	30,000 Gallons	\$195.42 Minimum Bill
Over	30,000 Gallons	6.22 per 1,000 Gallons

Leak Adjustment Rate

2.90 per 1,000 Gallons

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