

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF	)	CASE NO.
FARMDALE WATER DISTRICT	)	2018-00249

ORDER

On July 18, 2018, Farmdale Water District (Farmdale District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup>

The Commission notes that in its 2017 Annual Report Farmdale District reported a water loss of 35.9154 percent.<sup>2</sup> Farmdale District's application provides updated purchase and sales information for a more current period than the 2017 Annual Report. Commission regulation 807 KAR 5:066(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. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2017 Annual Report,<sup>3</sup> Farmdale District's unaccounted-for water loss is determined to be 35.4044 percent for the updated period.<sup>4</sup> Reduction of Farmdale

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

<sup>2</sup> 2017 Annual Report at 56.

<sup>3</sup> 2017 Annual Report, Water Statistics (Ref Page: 30), line 21, divided by line 4, (728 divided by 244,246) equals 0.298 percent.

<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	237,754,000
Less Total Sales (application PWA Form 1 at 2)	152,870,000
Less plant use (% determined from 2016 Annual Report)	<u>708,507</u>
Water loss - gallons	84,175,493
Water loss - percent	35.40

District's unaccounted-for water loss to 15 percent would result in an approximate \$137,775.20<sup>5</sup> decrease to purchased water expense. Potentially, Farmdale District is paying approximately \$0.90 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 15 percent unaccounted-for water loss threshold and strongly encourages Farmdale District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Farmdale District 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. Farmdale District purchases water from the Frankfort Electric and Water Plant Board (Frankfort).
2. Frankfort notified Farmdale District that Kentucky River Authority withdrawal fee would increase from \$0.20 per 1,000 gallons to \$0.29 per 1,000 gallons effective July 26, 2018.<sup>7</sup> Farmdale District proposes to increase the water rates to its customers effective August 1, 2018, to reflect the increased cost of purchased water from Farmdale District.

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<sup>5</sup> Water loss above 15 percent is 20.40 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$137,775.20.

<sup>6</sup> Potential purchased water expense reduction divided by sales (\$137,775.20/(152,870,000/1,000) equals \$0.90/1,000.

<sup>7</sup> TFS 2018-00313 (Ky. PSC filed June 26, 2018); the tariff was accepted for filing by the Commission by letter dated July 25, 2018.

3. Farmdale District proposed a purchased water adjustment factor of \$0.14 per 1,000 gallons in its application.

4. During the 12-month period that ended April 30, 2018, Farmdale District purchased 237,754,000 gallons of water from Frankfort. During the same period, Farmdale District sold 152,870,000 gallons of water. The increase in the cost of purchased water is \$21,397.86, resulting in a purchased water adjustment factor of \$0.14 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.14 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable, and should be approved.

6. Farmdale District's proposed rates 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 Farmdale District on and after August 1, 2018.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.14 per 1,000 gallons is approved.

2. The rates proposed by Farmdale District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Farmdale District on and after August 1, 2018.

4. Within 20 days of the date of entry of this Order, Farmdale District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

5. Within 30 days of the date of entry of this Order, Farmdale District shall file with the Commission Proof of Notice pursuant to 807 KAR 5:068, Section 5(3).

6. Any document filed pursuant to ordering paragraph 5 of this Order shall reference the number of this case and shall be retained in the post case correspondence file.

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

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By the Commission

ENTERED  
AUG 02 2018  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
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Executive Director

Case No. 2018-00249

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2018-00249 DATED **AUG 02 2018**

	New Rate	Base Rate
Frankfort		
Purchases in Gallons	237,754,000	237,754,000
Wholesale rate	NO CHANGE	NO CHANGE
KRA Fee	<u>\$ 0.29/1,000</u>	<u>\$ 0.20/1,000</u>
Total	\$68,948.66	\$47,550.80
Increased water cost		\$ 21,397.86
Increased water cost		\$ 21,397.86
Divided by Gallons sold/1,000		<u>152,870,000</u>
Purchased water adjustment factor		\$ 0.1399 per 1,000 Gallons
		or \$ 0.14 per 1,000 Gallons

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00249 DATED **AUG 02 2018**

The following rates and charges are prescribed for the customers in the area served by Farmdale Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

#### Monthly Water Rates

##### 5/8-Inch Meter

First	2,000 Gallons	\$	18.20 Minimum Bill
Next	3,000 Gallons		6.10 per 1,000 Gallons
Next	5,000 Gallons		5.64 per 1,000 Gallons
Over	10,000 Gallons		5.16 per 1,000 Gallons

##### 1-Inch Meter

First	5,000 Gallons	\$	36.50 Minimum Bill
Next	5,000 Gallons		6.10 per 1,000 Gallons
Next	140,000 Gallons		5.64 per 1,000 Gallons
Over	150,000 Gallons		5.16 per 1,000 Gallons

##### 4-Inch Meter

First	50,000 Gallons	\$	271.10 Minimum Bill
Next	50,000 Gallons		6.10 per 1,000 Gallons
Next	50,000 Gallons		5.64 per 1,000 Gallons
Over	150,000 Gallons		5.16 per 1,000 Gallons

\*Farmdale Water District  
100 Highwood Drive, Route 8  
Frankfort, KY 40601

\*Clifford Toles  
Chairman  
Farmdale Water District  
100 Highwood Drive, Route 8  
Frankfort, KY 40601