

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
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| ELECTRONIC PURCHASED WATER |) | CASE NO. |
| ADJUSTMENT FILING OF ESTILL COUNTY |) | 2018-00269 |
| WATER DISTRICT NO. 1 |) | |

ORDER

On August 20, 2018, Estill County Water District No. 1 (Estill District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2017 Annual Report Estill District reported a water loss of 37.6515 percent.² Estill 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,³ Estill District's unaccounted-for water loss is

¹ KRS 278.015; 807 KAR 5:068.

² 2017 Annual Report at 56.

³ 2017 Annual Report, Water Statistics (Ref Page: 30), line 21, divided by line 4, (1,081 divided by 258,128) equals 0.419 percent.

determined to be 37.2365 percent for the updated period.⁴ Reduction of Estill District's unaccounted-for water loss to 15 percent would result in an approximate \$184,682.99⁵ decrease to purchased water expense. Potentially, Estill District is paying approximately \$1.16 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 Estill District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Estill 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. Estill District purchases water from the Irvine Municipal Utilities (Irvine) and the Jackson County Water Association (Jackson County Water).
2. Irvine notified Estill District that the Kentucky River Authority withdrawal fee would increase from \$0.190 per 1,000 gallons to \$0.314 per 1,000 gallons effective

| | |
|------------------------------------------------------------|------------------|
| ⁴ Total Purchases (application PWA Form 1 at 2) | 255,671,300 |
| Less Total Sales (application PWA Form 1 at 2) | 159,396,870 |
| Less plant use (% determined from 2016 Annual Report) | <u>1,071,263</u> |
| Water loss - gallons | 95,203,167 |
| Water loss - percent | 37.2365 |

⁵ Water loss above 15 percent is 22.2365 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$184,682.99.

⁶ Potential purchased water expense reduction divided by sales (\$184,682.99/(159,396,870/1,000)) equals \$1.16/1,000.

20, 2018.⁷ Estill District proposes to increase the water rates to its customers effective August 20, 2018, to reflect the increased cost of purchased water from Irvine.

3. Estill District proposed a purchased water adjustment factor of \$0.20 per 1,000 gallons in its application.

4. During the 12-month period that ended May 31, 2018, Estill District purchased 255,236,020 gallons of water from Irvine and 435,280 gallons of water from Jackson County Water. During the same period, Estill District sold 159,396,870 gallons of water. The increase in the cost of purchased water is \$31,649.27, resulting in a purchased water adjustment factor of \$0.20 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.20 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable, and should be approved.

6. Estill District's proposed rates should be approved.

7. Estill District incorrectly stated the water volume in its 2" meter rates. Estill District stated the volume as First 20,000 Gallons and Over 20,000 Gallons in its proposed rate schedule. Estill District should correct this to the volume as stated in its current tariff as First 16,000 Gallons and Over 16,000 Gallons.

8. 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 Estill District on and after August 20, 2018.

⁷ TFS 2018-00241 (Ky. PSC filed May 21, 2018, amended); the amended tariff was accepted for filing by the Commission by letter dated Aug. 16, 2018.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.20 per 1,000 gallons is approved.
2. The rates proposed by Estill District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Estill District on and after August 20, 2018.
4. Within 20 days of the date of entry of this Order, Estill District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein. Estill District shall also state the proper volume in its 2" meter schedule in their tariff filing of First 16,000 Gallons and Over 16,000 Gallons.
5. Within 30 days of the date of entry of this Order, Estill 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 paragraphs 4 and 5 of this Order shall reference this case number and shall be retained in the post-case correspondence file.
7. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED
SEP 05 2018
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2018-00269

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00269 DATED **SEP 05 2018**

| | New Rate | Base Rate |
|-----------------------------------|-----------------------|------------------------------|
| Irvine | | |
| Purchases in Gallons | 255,236,020 | 255,236,020 |
| Wholesale rate | NO CHANGE | NO CHANGE |
| KRA Fee | <u>\$ 0.314/1,000</u> | <u>\$ 0.19/1,000</u> |
| Total | \$80,144.11 | \$48,494.84 |
| Jackson County Water | | |
| Purchases in Gallons | 435,280 | 435,280 |
| Wholesale rate | <u>NO CHANGE</u> | <u>NO CHANGE</u> |
| Increased water cost | | \$ 31,649.27 |
| Increased water cost | | \$ 31,649.27 |
| Divided by Gallons sold/1,000 | | <u>159,396,870</u> |
| Purchased water adjustment factor | | \$ 0.1985 per 1,000 Gallons |
| | | or \$ 0.20 per 1,000 Gallons |

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00269 DATED **SEP 05 2018**

The following rates and charges are prescribed for the customers in the area served by Estill County Water District No. 1. 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 x 3/4-Inch Meter | |
| First 2,000 Gallons | \$ 21.58 Minimum Bill |
| Next 3,000 Gallons | 10.53 per 1,000 Gallons |
| Next 5,000 Gallons | 10.31 per 1,000 Gallons |
| Over 10,000 Gallons | 8.20 per 1,000 Gallons |
| 1-Inch Meter | |
| First 5,000 Gallons | \$ 53.18 Minimum Bill |
| Next 5,000 Gallons | 10.31 per 1,000 Gallons |
| Over 10,000 Gallons | 8.20 per 1,000 Gallons |
| 2-Inch Meter | |
| First 16,000 Gallons | \$ 153.95 Minimum Bill |
| Over 16,000 Gallons | 8.20 per 1,000 Gallons |
| Bulk Loading Station | 7.29 per 1,000 Gallons |

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