

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|-------------------------------------|---|------------|
| ELECTRONIC PURCHASED WATER |) | CASE NO. |
| ADJUSTMENT FILING OF GARRARD COUNTY |) | 2020-00187 |
| WATER ASSOCIATION, INC. |) | |

ORDER

On June 16, 2020, Garrard County Water Association, Inc. (Garrard County Water) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in Garrard County Water's 2019 Annual Report a water loss of 19.0504 percent was reported.² Garrard County Water's application provides updated purchase and sales information for a more current period than the 2019 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 2019 Annual Report,³ Garrard County Water's unaccounted-for water loss is determined to be 15.4809 percent for the updated period.⁴ Reduction of

¹ KRS 278.012; 807 KAR 5:068.

² 2019 Annual Report at 57.

³ 2019 Annual Report, Water Statistics (Ref Page: 30), line 21, divided by line 4, (9,607 divided by 412,344) equals 2.3299 percent.

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|--|-------------|
| ⁴ Total Purchases (application PWA Form 1 at 2) | 388,328,600 |
| Less Total Sales (application PWA Form 1 at 2) | 319,164,338 |

Garrard County Water’s unaccounted-for water loss to 15 percent would result in an approximate \$4,804.81⁵ decrease to purchased water expense. Potentially, Garrard County Water is paying approximately \$0.02 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 Garrard County Water to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Garrard County Water to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

In a review of the Commissions records from 1985 to the present dates, the Commission notes that its records indicate Garrard County Water has not sought a general base rate adjustment since 1985. The lack of insight into Garrard County Water’s financial records indicates to the Commission that Garrard County Water should file an application for a traditional adjustment in rates or an alternative rate adjustment within one year of the date of this Order to ensure its revenue is sufficient to support adequate and reliable service.

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| Less plant use (% determined from 2016 Annual Report) | <u>9,047,477</u> |
| Water loss - gallons | 60,116,785 |
| Water loss - percent | 15.4809 |

⁵ Water loss above 15 percent is 0.4809 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$4,804.81.

⁶ Potential purchased water expense reduction divided by sales (\$4,804.81/(319,164,338/1,000) equals \$0.02/1,000.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that:

1. Garrard County Water purchases water from the city of Lancaster (Lancaster), the city of Danville (Danville), and the city of Berea (Berea).

2. Lancaster notified Garrard County Water that its wholesale rate would increase from \$2.47 per 1,000 gallons to \$2.48 per 1,000 gallons effective July 10, 2020. Garrard County Water proposes to increase the water rates to its customers effective July 1, 2020, to reflect the increased cost of purchased water from Lancaster.

3. Garrard County Water proposed a purchased water adjustment factor of \$0.01 per 1,000.

4. During the 12 months ended May 31, 2020, Garrard County Water purchased 373,343,440 gallons of water from Lancaster, 6,021,982 gallons of water from Danville, and 21,123,445 gallons of water from Berea. During the same period, Garrard County Water sold 319,164,338 gallons of water. The increase in the cost of purchased water is \$3,733.44, resulting in a purchased water adjustment factor of \$0.02 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.02 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

6. Garrard County Water's proposed rates should be denied.

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 Garrard County Water on and after July 10, 2020.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.02 per 1,000 gallons is approved.
2. The rates proposed by Garrard County Water are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Garrard County Water on and after July 10, 2020.
4. Within 20 days of the date of entry of this Order, Garrard County Water shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. Garrard County Water shall file an application for a traditional adjustment in rates or an alternative rate adjustment within one year of the date of entry of this Order.
6. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED
JUN 23 2020 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2020-00187

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00187 DATED JUN 23 2020

| | Base Rate | New Rate | Increased Cost |
|-----------------------------------|---------------------|------------------------------|----------------|
| Lancaster | | | |
| Purchases in Gallons | 373,343,440 | 373,343,440 | |
| Wholesale rate | <u>\$2.47/1,000</u> | <u>\$2.48/1,000</u> | |
| | \$922,158.30 | \$925,891.73 | \$ 3,733.43 |
| Danville | | | |
| Purchases in Gallons | 6,021,982 | 6,021,982 | |
| Wholesale rate | <u>\$2.41/1,000</u> | <u>\$2.41/1,000</u> | |
| | \$14,512.98 | \$14,512.98 | No Change |
| Berea | | | |
| Purchases in Gallons | 21,123,445 | 27,914,237 | |
| Wholesale rate | <u>\$2.78/1,000</u> | <u>\$2.78/1,000</u> | |
| | \$58,723.18 | \$58,723.18 | No Change |
| Total Cost of Water | \$995,394.46 | \$999,127.89 | |
| Increased water cost | | \$ 3,733.43 | |
| Divided by Gallons sold/1,000 | | <u>319,164,338</u> | |
| Purchased water adjustment factor | | \$ 0.0117 per 1,000 Gallons | |
| | | or \$ 0.02 per 1,000 Gallons | |

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00187 DATED JUN 23 2020

The following rates and charges are prescribed for the customers in the area served by Garrard County Water Association, Inc. 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 | 1,000 | Gallons | \$ 11.82 | Minimum bill |
| Next | 1,000 | Gallons | 6.43 | per 1,000 Gallons |
| Next | 1,000 | Gallons | 5.22 | per 1,000 Gallons |
| Next | 2,000 | Gallons | 5.00 | per 1,000 Gallons |
| All Over | 5,000 | Gallons | 4.67 | per 1,000 Gallons |

1-Inch Meter

| | | | | |
|----------|-------|---------|----------|-------------------|
| First | 5,000 | Gallons | \$ 33.47 | Minimum bill |
| All Over | 5,000 | Gallons | 4.67 | per 1,000 Gallons |

1 1/2-Inch - Meter

| | | | | |
|----------|--------|---------|----------|-------------------|
| First | 10,000 | Gallons | \$ 56.82 | Minimum bill |
| All Over | 10,000 | Gallons | 4.67 | per 1,000 Gallons |

2-Inch Meter

| | | | | |
|----------|--------|---------|-----------|-------------------|
| First | 25,000 | Gallons | \$ 126.87 | Minimum bill |
| All Over | 25,000 | Gallons | 4.67 | per 1,000 Gallons |

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