

Reduction of Peaks Mill's unaccounted-for water loss to 15 percent would result in an approximate \$68,989.⁵ decrease to purchased water expense. Potentially, Peaks Mill is paying \$1.45 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 Peaks Mill to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Peaks Mill to make significant process towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

In late 2015, Peaks Mill's wholesale supplier, Frankfort Electric & Water Plant Board ("Frankfort"), increased its wholesale rate from \$2.25 to \$2.35 per 1,000 gallons.⁷ Peaks Mill did not apply to the Commission at that time for a purchased water adjustment, but has instead now applied for an adjustment to reflect Frankfort's 2015 increase and a subsequent 2016 wholesale rate increase. On January 20, 2017, Peaks Mill requested approval for a deviation from 807 KAR 5:068, Section 1(5), in order to allow Peaks Mill to capture the two years of pass-through increases in its supplier's base rate.

⁵ Water loss above 15 percent 0.2997.
Potential purchased water expense reduction (Total cost at new wholesale rate times water loss above 15 percent)=\$68,989

⁶ Potential purchased water expense reduction divided by sales \$68,989/(47,461,200/1,000) equals \$1.45/1,000.

⁷ Case No. 2014-0254, *Proposed Adjustment of the Wholesale Water Service Rates of Frankfort Electric and Water Plant Board*, Parties Joint Settlement Stipulation and Recommendation (filed Oct. 10, 2014).

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Peaks Mill purchases water from Frankfort and Kentucky-American Water District.

2. Frankfort notified Peaks Mill that, effective November 1, 2016, Frankfort's wholesale rate to Peaks Mill would increase to \$2.45 per 1,000 gallons.⁸ Peaks Mill proposes to increase the water rates to its customers effective February 1, 2017, to reflect the increased cost of purchased water.

3. Peaks Mill proposes a purchased water adjustment factor of \$0.40 per 1,000 gallons.

4. During the 12 months ended October 31, 2016, Peaks Mill purchased a total of 93,612,548 gallons of water, of which 93,163,000 gallons were purchased from Frankfort. During the same period, Peaks Mill sold 47,461,200 gallons of water. The increase in the cost of purchased water is \$18,632.60, resulting in a purchased water adjustment factor of \$0.40 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.40 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved.

6. Peaks Mill's proposed rates, as set forth in Appendix B to this Order, are fair, just and reasonable and should be approved for water service rendered by Peaks Mill on and after February 1, 2017.

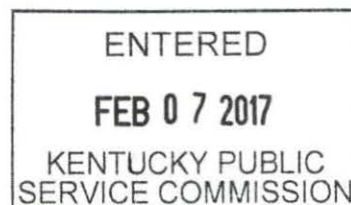
⁸ *Id.*

7. Peaks Mill's request for a deviation from 807 KAR 5:068, Section 1(5), to allow for two years of pass-through increases in its supplier's base rate is reasonable and should be granted.

IT IS THEREFORE ORDERED that:

1. Peaks Mill's request for a deviation from 807 KAR 5:068, Section 1(5), is granted.
2. The purchased water adjustment factor of \$0.40 per 1,000 gallons is approved.
3. Peaks Mill's proposed rates, as set forth in Appendix B to this Order, are approved for water service rendered by Peaks Mill on and after February 1, 2017.
4. Within 20 days of the date of this Order, Peaks Mill 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:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2017-00040 DATED **FEB 07 2017**

	New Rate	Base Rate
Frankfort		
Purchases in gallons	93,163,000	93,163,000
Volumetric rate	<u>\$2.45/1,000</u>	<u>\$2.25/1,000</u>
	\$228,249.35	\$209,616.75
Ky-American		
Purchases in gallons	449,548	449,548
Volumetric rate	<u>NO CHANGE</u>	<u>NO CHANGE</u>

Increased water cost \$18,632.60

Increased water cost	\$ 16,632.60
Divided by gallons sold/1,000	<u>47,461,200</u>
Purchased water adjustment factor	\$ 0.3925
or	\$ 0.40 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00040 DATED FEB 07 2017

The following rates and charges are prescribed for the customers in the area served by Peaks Mill 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 Rates

First	2,000 Gallons	\$27.80	Minimum Bill
Next	3,000 Gallons	9.59	per 1,000 Gallons
Next	5,000 Gallons	8.37	per 1,000 Gallons
Over	10,000 Gallons	7.15	per 1,000 Gallons

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Frankfort, KY 40601

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