

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
BREATHITT COUNTY WATER DISTRICT)	2018-00214

ORDER

On June 26, 2018, Breathitt Water District (Breathitt District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹ By letter dated June 28, 2018, the Commission notified Breathitt District that its application was rejected because it contained certain filing deficiencies. On July 3, 2018, Breathitt District 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, Breathitt District reported a water loss of 7.1636 percent.² Breathitt District's application provides updated purchases and sales information for a more current period than the 2016 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

¹ KRS 278.015; 807 KAR 5:068.

² 2016 Annual Report at 56.

the utility in its 2016 Annual Report,³ Breathitt District's unaccounted-for water loss is determined to be 25.16 percent for the updated period.⁴

Reduction of Breathitt District's unaccounted-for water loss to 15 percent would result in an approximate \$33,857⁵ decrease to purchased water expense. Potentially, Breathitt District is paying \$0.52 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 Breathitt District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Breathitt 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. Breathitt District purchases water from the city of Jackson (Jackson) and the city of Campton (Campton).

³ 2016 Annual Report, line 21, divided by line 4, (1,046 divided by 72,310) equals 1.4465 percent.

⁴ Total Purchases (application PWA Form 1 at 2)	89,351,300
Less Total Sales (application PWA Form 1 at 2)	65,578,000
Less Plant Use (% determined from 2016 AR)	<u>1,292,511</u>
Water Loss – Gallons	22,480,789
Water Loss – Percent	25.1600

⁵ Water loss above 15 percent is 10.16 percent, potential purchased water expensed reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$33,857

⁶ Potential purchased water expense reduction divided by sales (\$33,857/(65,578,000/1,000)) equals \$0.52/1,000.

2. Jackson notified Breathitt District that its wholesale volumetric water rate would increase from \$3.62 per 1,000 gallons to \$3.73 per 1,000 gallons effective July 1, 2018.⁷ Breathitt District proposes to increase the water rates to its customers effective July 15, 2018, to reflect the increased cost of purchased water from Jackson.

3. Breathitt District proposed a purchased water adjustment factor of \$0.15 per 1,000 gallons in its application.

4. During the 12 months ended May 31, 2018, Breathitt District purchased 89,242,000 gallons of water from Jackson and 109,300 gallons of water from Campton. During the same period, Breathitt District sold 65,578,000 gallons of water. The increase in the cost of purchased water is \$9,816.62, resulting in a purchased water adjustment factor of \$0.15 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.15 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable, and should be approved.

6. Breathitt 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 Breathitt District on and after July 15, 2018.

IT IS THEREFORE ORDERED that:

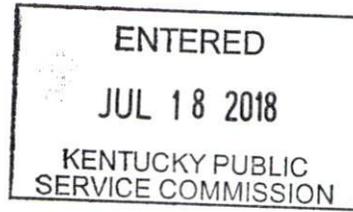
1. The purchased water adjustment factor of \$0.15 per 1,000 gallons is approved.

⁷ TFS 2018-00258 (Ky. PSC filed May 25, 2018); the tariff was accepted for filing by the Commission by letter dated June 28, 2018.

2. The rates proposed by Breathitt District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Breathitt District on and after July 15, 2018.
4. Within 20 days of the date of entry of this Order, Breathitt District 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. 2018-00214

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00214 DATED **JUL 18 2018**

	New Rate	Base Rate
Jackson		
Purchases in Gallons	89,242,000	89,242,000
Wholesale rate	<u>\$ 3.73/1,000</u>	<u>\$ 3.62/1,000</u>
Sub-Total	\$332,872.66	\$323,056.04
Campton		
Purchases in Gallons	109,300	109,300
Wholesale rate	<u>NO CHANGE</u>	<u>NO CHANGE</u>
Sub-Total		
Total	\$332,872.66	\$323,056.04
Increased water cost		\$ 9,816.62
Increased water cost		\$ 9,816.62
Divided by Gallons sold/1,000		<u>65,578,000</u>
Purchased water adjustment factor		\$ 0.1496938 per 1,000 Gallons
		or \$ 0.15 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00214 DATED **JUL 18 2018**

The following rates and charges are prescribed for the customers in the area served by Breathitt County 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

First	2,000 Gallons	\$ 29.09 Minimum Bill
Over	2,000 Gallons	14.55 per 1,000 Gallons

*Breathitt County Water District
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Jackson, KY 41339

*Bobby Thorpe, Jr.
Chairperson
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