

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF	)	CASE NO.
PEAKS MILL WATER DISTRICT	)	2018-00242

ORDER

On July 11, 2018, Peaks Mills Water District (Peaks Mill District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup>

The Commission notes that Peaks Mill District reported a water loss of 32.6694 percent in its 2016 Annual Report.<sup>2</sup> Peaks Mill District's application provides updated purchase 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 2018 information in the application and the percentage of other water consumed by the utility in its 2016 Annual Report,<sup>3</sup> Peaks Mill District's unaccounted-for water loss is determined to be 21.0931 percent for the updated period.<sup>4</sup> Reduction of Peaks Mill

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<sup>1</sup> KRS 278.012; 807 KAR 5:068.

<sup>2</sup> 2016 Annual Report at 56.

<sup>3</sup> 2016 Annual Report, Water Statistics, line 21, divided by line 4, (4,095 divided by 88,465) equals 4.63 percent.

<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	79,295,604
Less Total Sales (application PWA Form 1 at 2)	58,899,125
Less plant use (% determined from 2016 Annual Report)	<u>3,670,553</u>
Water loss - gallons	16,725,926
Water loss - percent	21.0931

District's unaccounted-for water loss to 15 percent would result in an approximate \$12,674.34<sup>5</sup> decrease to purchased water expense. Potentially, Peaks Mill District is paying approximately \$0.22 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 Peaks Mill District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Peaks Mill 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 otherwise sufficiently advised, finds that:

1. Peaks Mill District purchases water from the Frankfort Electric and Water Plant Board (Frankfort) and Kentucky-American Water Company (Kentucky-American).
2. Frankfort notified Peaks Mill District that its wholesale rate would increase from \$2.55 per 1,000 gallons to \$2.64 per 1,000 gallons effective July 26, 2018.<sup>7</sup> Peaks Mill District proposes to increase the water rates to its customers effective July 26, 2018, to reflect the increased cost of purchased water from Frankfort.

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<sup>5</sup> Water loss above 15 percent is 6.0931 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$12,674.34.

<sup>6</sup> Potential purchased water expense reduction divided by sales (\$12,674.34/(58,899,125/1,000) equals \$0.22/1,000.

<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. Peaks Mill District proposed a purchased water adjustment factor of \$0.12 per 1,000 gallons in its application.

4. During the 12-month period that ended April 30, 2018, Peaks Mill District purchased 78,792,200 gallons of water from Frankfort and 503,404 gallons of water from Kentucky-American. During the same period, Peaks Mill District sold 58,899,125 gallons of water. The increase in the cost of purchased water is \$7,091.30, resulting in a purchased water adjustment factor of \$0.13 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.12 per 1,000 gallons, as calculated in Appendix A to this Order and as requested by Peaks Mill, permits Peaks Mill District to pass through the increase in its wholesale rates from Frankfort and is fair, just, and reasonable and should be approved.

6. Peaks Mill 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 Peaks Mill District on and after July 26, 2018.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.12 per 1,000 gallons is approved.

2. The rates proposed by Peaks Mill District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Peaks Mill District on and after July 26, 2018.

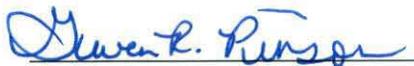
4. Within 20 days of the date of entry of this Order, Peaks Mill District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

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By the Commission



ATTEST:

  
Executive Director

Case No. 2018-00242

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2018-00242 DATED **JUL 31 2018**

	New Rate	Base Rate
Frankfort		
Purchases in Gallons	78,792,200	78,792,200
Wholesale rate	<u>\$ 2.64/1,000</u>	<u>\$ 2.55/1,000</u>
	\$208,011.41	\$200,920.11
Kentucky-American		
Purchases in Gallons	503,404	503,404
Wholesale rate	<u>No Change</u>	<u>No Change</u>
Total	\$208,011.41	\$200,920.11
Increased water cost		\$ 7,091.30
Increased water cost		\$ 7,091.30
Divided by Gallons sold/1,000		<u>58,899,125</u>
Purchased water adjustment factor		\$ 0.1203 per 1,000 Gallons
		or \$ 0.12 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2018-00242 DATED **JUL 31 2018**

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 the authority of the Commission prior to the effective date of this Order.

Monthly Rates

First	2,000 Gallons	\$28.32	Minimum Bill
Next	3,000 Gallons	9.85	per 1,000 Gallons
Next	5,000 Gallons	8.63	per 1,000 Gallons
Over	10,000 Gallons	7.41	per 1,000 Gallons

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