

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
NEBO WATER DISTRICT)	2019-00099

ORDER

On March 25, 2019, Nebo Water District (Nebo District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure in 807 KAR 5:068.¹

The Commission notes that in its 2017 Annual Report, Nebo District reported a water loss of 18.3932 percent.² Nebo District's application provides updated purchases 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 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 Nebo District's unaccounted-for water loss is determined to be 15.87 percent for the updated period.⁴

¹ KRS 278.015; 807 KAR 5:068.

² 2017 Annual Report at 57.

³ *Id.*, line 21 (5,824) divided by line 4 (105,088) equals 05.542 percent.

⁴ Total Purchases (application PWA Form 1 at 2; attachment)	105,087,000
Less Total Sales (application PWA Form 1 at 2; Exhibit B)	82,584,000
Less plant use (% determined from 2017 Annual Report)	<u>5,823,945</u>
Water loss – gallons	16,679,055
Water loss – percent	15.8717%

Reduction of Nebo District's unaccounted-for water loss to 15 percent would result in an approximate \$4,136.10⁵ decrease to purchased water expense. Potentially, Nebo District is paying \$0.05 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 Nebo District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Nebo 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. Nebo District purchases water from the City of Madisonville (Madisonville).
2. Madisonville notified Nebo District that its wholesale rate would increase from \$3.97 per 1,000 gallons to \$4.52 per 1,000 gallons effective March 31, 2019.⁷ Nebo District proposes to increase the water rates to its customers effective March 31, 2019, to reflect the increased cost of purchased water from Madisonville.
3. Nebo District proposed a purchased water adjustment factor of \$0.70 per 1,000 gallons in its application.

⁵ Water loss above 15 percent is 0.8717 percent, potential purchased water expensed reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$4,136.10

⁶ Potential purchased water expense reduction divided by sales (\$4,136.10/ (82,584,000/1,000)) equals \$0.05 per 1,000 gallons.

⁷ TFS 2019-00073 (Ky. PSC filed February 7, 2019); the tariff was accepted for filing by the Commission by letter dated March 25, 2019.

4. During the 12 months ended December 31, 2018, Nebo District purchased 105,087,000 gallons of water from all sources.⁸ During the same period, Nebo District sold 82,584,000 gallons of water. The increase in the cost of purchased water is \$57,470.87 resulting in a purchased water adjustment factor of \$0.70 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.70 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable, and should be approved.

6. Nebo 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 Nebo District on and after March 31, 2019.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.70 per 1,000 gallons is approved.

2. The rates proposed by Nebo District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Nebo District on and after March 31, 2019.

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

5. Within 30 days of the date of entry of this Order, Nebo District shall file with the Commission Proof of Notice pursuant to 807 KAR 5:068, Section 5(3).

⁸ Application at 2.

6. Any document filed pursuant to ordering paragraph 5 of this Order shall reference the number of this case and shall be retained in the post case correspondence file.

7. This case is closed and removed from the Commission's docket.

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By the Commission

ENTERED
APR 16 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2019-00099 DATED **APR 16 2019**

	New Rate	Base Rate
Madisonville		
Purchases in gallons	104,492,500	104,492,500
Wholesale rate	<u>\$ 4.52/1,000</u>	<u>\$ 3.97/1,000</u>
Total	\$472,306.10	\$414,835.23
Webster District		
Purchases in gallons	594,500	594,500
Wholesale rate	<u>\$3.70/1,000</u>	<u>\$3.70/1,000</u>
Total	\$2,199.65	\$2,199.65
Total Cost	\$474,505.75	\$417,034.88
Increased water cost		\$ 57,470.87
Increased water cost		\$ 57,470.87
Divided by gallons sold/1,000		<u>82,584,000</u>
Purchased water adjustment factor		\$ 0.70 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00099 DATED **APR 16 2019**

The following rates and charges are prescribed for the customers in the area served by Nebo 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 Water Rates

5/8 Inch Meter

First	2,000 Gallons	\$23.15 Minimum Bill
Next	2,000 Gallons	9.57 Per 1,000 Gallons
Next	6,000 Gallons	9.07 Per 1,000 Gallons
Next	10,000 Gallons	8.58 Per 1,000 Gallons
Over	20,000 Gallons	8.08 Per 1,000 Gallons

1 Inch Meter

First	4,000 Gallons	\$42.28 Minimum Bill
Next	6,000 Gallons	9.07 Per 1,000 Gallons
Next	10,000 Gallons	8.58 Per 1,000 Gallons
Over	20,000 Gallons	8.08 Per 1,000 Gallons

1 1/2 Inch Meter

First	10,000 Gallons	\$96.71 Minimum Bill
Next	10,000 Gallons	8.58 Per 1,000 Gallons
Over	20,000 Gallons	8.08 Per 1,000 Gallons

2 Inch Meter

First	20,000 Gallons	\$182.51 Minimum Bill
Over	20,000 Gallons	8.08 Per 1,000 Gallons

3 Inch Meter

First	30,000 Gallons	\$263.31 Minimum Bill
Over	30,000 Gallons	8.08 Per 1,000 Gallons

4 Inch Meter

First	50,000 Gallons	\$424.91 Minimum Bill
Over	50,000 Gallons	8.08 Per 1,000 Gallons

*J.E. Ellis
Chairman
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