

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF) CASE NO.
NORTH HOPKINS WATER DISTRICT) 2019-00100

ORDER

On March 25, 2019, North Hopkins Water District (North Hopkins District) tendered an application to adjust its rates pursuant to the purchased water adjustment procedure in 807 KAR 5:068.¹

The Commission notes that North Hopkins District reported a water loss of 28.7617 percent in its 2017 Annual Report.² North Hopkins District's application provides updated purchase 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 North Hopkins District as reported in its 2017 Annual Report,³ North Hopkins District's

¹ KRS 278.015; 807 KAR 5:068.

² 2017 Annual Report at 56.

³ 2017 Annual Report, Water Statistics, line 21, divided by line 4, (394 divided by 94,518) equals 0.4169 percent.

unaccounted-for water loss is determined to be 28.4468 percent for the updated period.⁴ Reduction of North Hopkins District’s unaccounted-for water loss to 15 percent would result in an approximate \$55,857.00⁵ decrease to purchased water expense. North Hopkins District is paying approximately \$0.85 per 1,000 gallons sold, for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent threshold.⁶

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages North Hopkins District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by North Hopkins District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

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

1. North Hopkins District purchases water from the city of Madisonville (Madisonville).

4 Total Purchases (application PWA Form 1 at 2)	91,901,000
Less Total Sales (application PWA Form 1 at 2)	65,375,000
Less plant use (% determined from 2017 Annual Report)	<u>383,091</u>
Water loss - gallons	26,142,909
Water loss - percent	28.4468%

⁵ Water loss above 15 percent is 13.4468 percent, so the cost of water loss is shown below:

$$(91,901,000 \times 0.134468 \times 4.52) / 1,000 = \$55,857.00$$

⁶ Potential purchased water expense reduction divided by sales (\$55,857.00/(65,375,000/1,000) equals \$0.85 per 1,000 gallons.

2. Madisonville notified North Hopkins District that its wholesale volumetric water rate would increase from \$3.97 per 1,000 gallons to \$4.52 effective March 31, 2019.⁷ North Hopkins District proposes to increase the water rates to its customers effective March 31, 2019, to reflect the overall increase in the cost of purchased water from Madisonville.

3. North Hopkins District proposed a purchased water adjustment factor of \$0.77 per 1,000 gallons in its application.

4. During the 12 months ended December 31, 2018, North Hopkins District purchased 91,901,000 gallons of water. During the same period, North Hopkins District sold 65,375,000 gallons of water. The increase in the cost of purchased water is \$50,545.55, resulting in a purchased water adjustment factor of \$0.78 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.77 as proposed by North Hopkins District is denied.

6. The purchased water adjustment factor of \$0.78 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable, and should be approved.

7. North Hopkins District's proposed rates should be denied.

8. 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 North Hopkins District on and after March 31, 2019.

⁷ TFS 2019-00072 (Ky. PSC filed Feb. 7, 2019); the tariff was accepted for filing by the Commission by letter dated Mar. 25, 2019.

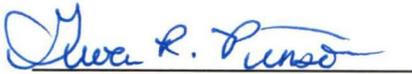
IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.77 per 1,000 gallons is denied.
2. The rates proposed by North Hopkins District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North Hopkins District on and after March 31, 2019.
4. Within 20 days of the date of entry of this Order, North Hopkins District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. This case is hereby closed and will be removed from the Commission's docket.

By the Commission

ENTERED
APR 17 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2019-00100

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00100 DATED **APR 17 2019**

	New Rate	Base Rate
Madisonville		
Purchases in Gallons	91,901,000	91,901,000
Wholesale rate	<u>\$4.52/1,000</u>	<u>\$3.97/1,000</u>
	\$415,392.52	\$364,846.97
Increased water cost		\$ 50,545.55
Increased water cost		\$ 50,545.55
Divided by Gallons sold/1,000		<u>65,375,000</u>
Purchased water adjustment factor		\$ 0.7732 per 1,000 Gallons
		Or \$ 0.78 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00100 DATED **APR 17 2019**

The following rates and charges are prescribed for the customers in the area served by North Hopkins 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

5/8X3/4-Inch Meter

First	2,000 Gallons	\$31.14	Minimum Bill
Next	2,000 Gallons	16.19	per 1,000 Gallons
Next	3,000 Gallons	13.24	per 1,000 Gallons
Next	3,000 Gallons	11.79	per 1,000 Gallons
Over	10,000 Gallons	9.53	per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$78.76	Minimum Bill
Next	2,000 Gallons	13.24	per 1,000 Gallons
Next	3,000 Gallons	11.79	per 1,000 Gallons
Over	10,000 Gallons	9.53	per 1,000 Gallons

1 1/2-Inch Meter

First	10,000 Gallons	\$140.61	Minimum Bill
Over	10,000 Gallons	9.53	per 1,000 Gallons

2-Inch Meter

First	15,000 Gallons	\$188.26	Minimum Bill
Over	15,000 Gallons	9.53	per 1,000 Gallons

3-Inch Meter

First	30,000 Gallons	\$331.21	Minimum Bill
Over	30,000 Gallons	9.53	per 1,000 Gallons

*North Hopkins Water District
316 Liberty Church Loop
Madisonville, KY 42431

*Norman D Adams
North Hopkins Water District
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Madisonville, KY 42431