

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF ) CASE NO.  
BEECH GROVE WATER SYSTEM, INC. ) 2019-00031

ORDER

On January 17, 2019, Beech Grove Water System, Inc. (Beech Grove Water), tendered an application to adjust its rates pursuant to the purchased water adjustment procedure in 807 KAR 5:068.<sup>1</sup> The application was rejected due to deficiencies and Beech Grove Water was given the opportunity to correct the deficiencies on or before February 14, 2019. Beech Grove Water corrected the deficiencies on February 14, 2019, and its application was accepted as filed on that date.

The Commission notes that Beech Grove Water reported a water loss of 14.7846 percent in its 2017 Annual Report.<sup>2</sup> Beech Grove Water'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

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<sup>1</sup> KRS 278.015; 807 KAR 5:068.

<sup>2</sup> 2017 Annual Report at 56.

the utility in its 2017 Annual Report.<sup>3</sup> Beech Grove Water's unaccounted-for water loss is determined to be 15.5356 percent for the updated period.<sup>4</sup> Reduction of Beech Grove Water's unaccounted-for water loss to 15 percent would result in an approximate \$1,252.67<sup>5</sup> decrease to purchased water expense. Beech Grove Water is paying approximately \$0.01602 per 1,000 gallons sold, for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent threshold.<sup>6</sup>

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Beech Grove Water to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Beech Grove Water 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:

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<sup>3</sup> 2017 Annual Report, Water Statistics, line 21, divided by line 4, (96,000 divided by 83,905,000) equals 0.0011 percent.

<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	92,344,148
Less Total Sales (application PWA Form 1 at 2)	77,892,297
Less plant use (% determined from 2017 Annual Report)	<u>105,656</u>
Water loss - gallons	14,346,195
Water loss - percent	15.5356

<sup>5</sup> Water loss above 15 percent is 0.5356 percent, so the cost of water loss is shown below:

87,760,148 x 0.005356 x 2.5031	=	\$1,176.56
4,584,000 x 0.005356 x 3.10	=	<u>\$76.11</u>
		\$1,252.67

<sup>6</sup> Potential purchased water expense reduction divided by sales (\$1,252.67/(77,892,297/1,000) equals \$0.01602 per 1,000 gallons.

1. Beech Grove Water purchases water from the city of Henderson (Henderson) and West Daviess County Water District (West Daviess District).

2. Henderson notified Beech Grove Water that its wholesale volumetric water rate would decrease from \$2.6165 per 1,000 gallons to \$2.5031 effective March 1, 2019.<sup>7</sup> West Daviess District notified Beech Grove Water that its wholesale volumetric water rate would increase from \$2.4100 per 1,000 gallons to \$3.1000 effective January 1, 2019.<sup>8</sup> Beech Grove Water proposes to decrease the water rates to its customers effective March 15, 2019, to reflect the overall decrease in cost of purchased water from Henderson and West Daviess District.

3. Beech Grove Water proposed a purchased water adjustment factor of (\$0.0800) per 1,000 gallons in its application.

4. During the 12 months ended December 31, 2018, Beech Grove Water purchased 87,760,148 gallons of water from Henderson and 4,584,000 gallons of water from West Daviess District. During the same period, Beech Grove Water sold 77,892,297 gallons of water. The decrease in the cost of purchased water is (\$6,789.0407), resulting in a purchased water adjustment factor of (\$0.0800) per 1,000 gallons.

5. The purchased water adjustment factor of (\$0.0800) per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable, and should be approved.

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<sup>7</sup> TFS 2019-00040 (Ky. PSC filed Jan. 29, 2019); the tariff was accepted for filing by the Commission by letter dated Feb. 14, 2019.

<sup>8</sup> TFS 2018-00531 (Ky. PSC filed Nov. 21, 2018); the tariff was accepted for filing by the Commission by letter dated Dec. 17, 2018.

6. Beech Grove Water'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 Beech Grove Water on and after March 15, 2019.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of (\$0.0800) per 1,000 gallons is denied.

2. The rates proposed by Beech Grove Water are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Beech Grove Water on and after March 15, 2019.

4. Within 20 days of the date of entry of this Order, Beech Grove Water 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  
MAR 05 2019  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2019-00031

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2019-00031 DATED **MAR 05 2019**

	New Rate	Base Rate
Henderson		
Purchases in Gallons	87,760,148	87,760,148
Wholesale rate	<u>\$2.5031/1,000</u>	<u>\$2.6165/1,000</u>
	\$219,672.4265	\$229,624.4272
West Daviess		
Purchases in Gallons	4,584,000	4,584,000
Wholesale rate	<u>\$3.1000/1,000</u>	<u>\$2.4100/1,000</u>
	\$14,210.4000	\$11,047.4400
Total	\$233,882.8265	\$240,671.8672
Decreased water cost		(\$ 6,789.0407)
Decreased water cost		(\$ 6,789.0407)
Divided by Gallons sold/1,000		<u>77,892,297</u>
Purchased water adjustment factor		(\$ 0.08716) per 1,000 Gallons
		or (\$ 0.0800) per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2019-00031 DATED **MAR 05 2019**

The following rates and charges are prescribed for the customers in the area served by Beech Grove Water System, Inc. 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	\$16.78 Minimum Bill
Next 98,000 Gallons	5.20 Per 1,000 Gallons
Over 100,000 Gallons	4.30 Per 1,000 Gallons
Bulk Loading Station	2.13 Per 1,000 Gallons

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