

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
SOUTHERN WATER AND SEWER DISTRICT)	2019-00079

ORDER

On March 5, 2019, Southern Water and Sewer District (Southern District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2018 Annual Report, Southern District reported a water loss of 62.5171 percent.² Southern District's application provides updated purchase and sales information for a more current period than the 2018 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 information in the application and the percentage of other water consumed by the utility in its 2018 Annual Report.³ Southern District's unaccounted-for water loss is determined to be 62.5184 percent for the period. The Commission notes the information in the 2018 Annual Report is for the same reporting period and that the slight difference in percentage

¹ KRS 278.015; 807 KAR 5:068.

² 2018 Annual Report at 56.

³ 2018 Annual Report, Water Statistics, page 56, line 21, divided by line 4, (19,324,000 divided by 757,449,000) equals 2.55 percent.

unaccounted-for water loss is due to rounding.⁴ Reduction of Southern District's unaccounted-for water loss to 15 percent would result in an approximate \$648,951.61⁵ decrease to production and purchased water expense. Potentially, Southern District is paying approximately \$2.4500 per 1,000 gallons sold, for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent threshold.⁶

As a result of Southern District's continued failure to address its excessive water loss the Commission has made Southern District a party to an open case at the Commission for utilities with unacceptably high unaccounted-for water loss.⁷

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

1. Southern District purchases water from the city of Pikeville (Pikeville), the Prestonsburg City Utility Commission (PCUC), and the Knott County Water District (Knott County District).

⁴ Total Production, Application, Exhibit B	568,330,000
Total Purchases (Application PWA Form 1 at 2)	189,118,900
Total Produced and Purchased	757,451,900
Less Total Sales (application PWA Form 1 at 2)	264,590,000
Less plant use (% determined from 2017 Annual Report)	<u>19,315,023</u>
Water loss - gallons	473,546,877
Water loss - percent	62.5184
2018 Annual Report, page 56, line 33 - percent	62.5171

⁵ Water loss above 15 percent is 47.5184 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$648,951.61.

⁶ Potential production and purchased water expense reduction divided by sales (\$648,951.61/(264,590,000/1,000) equals \$2.4500/1,000.

⁷ 2019-00041, Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities (Ky. PSC filed Mar. 12, 2019).

2. Pikeville notified Southern District that its wholesale volumetric water rate would increase from \$1.72 per 1,000 gallons to \$2.25 effective October 16, 2018.⁸ Southern District proposes to increase the water rates to its customers effective March 1, 2019, to reflect the increased cost of purchased water from Pikeville.

3. Southern District proposed a purchased water adjustment factor of \$0.30 per 1,000 gallons in its application.

4. During the 12 months ended December 30, 2018, Southern District purchased 149,536,000 gallons of water from Pikeville, 21,484,800 gallons of water from PCUC, and 18,198,900 gallons of water from Knott County District and produced 568,330,000 gallons of water. During the same period, Southern District sold 264,590,000 gallons of water. The increase in the cost of purchased water is \$79,254.08, resulting in a purchased water adjustment factor of \$0.30 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.30 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable, and should be approved.

6. Southern 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 Southern District on and after March 1, 2019.

⁸ TFS 2018-00428 (Ky. PSC filed Sep. 13, 2018); the tariff was accepted for filing by the Commission by letter dated Oct. 12, 2018.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.30 per 1,000 gallons is approved.
2. The rates proposed by Southern District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Southern District on and after March 1, 2019.
4. Within 20 days of the date of entry of this Order, Southern 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 02 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2019-00079 DATED **APR 02 2019**

	New Rate	Base Rate
Pikeville		
Purchases in Gallons	149,536,000	149,536,000
Wholesale rate	<u>\$2.25/1,000</u>	<u>\$1.72/1,000</u>
	\$336,456.00	\$257,201.92
PCUC		
Purchases in Gallons	21,484,800	21,484,800
Wholesale rate	<u>NO CHANGE</u>	<u>NO CHANGE</u>
Knott County District		
Purchases in Gallons	18,098,100	18,098,100
Wholesale rate	<u>NO CHANGE</u>	<u>NO CHANGE</u>
Total	\$336,456.00	\$257,201.92
Increased water cost		\$ 79,254.08
Increased water cost		\$ 79,254.08
Divided by Gallons sold/1,000		<u>264,590,000</u>
Purchased water adjustment factor		\$ 0.2995 per 1,000 Gallons
		or \$ 0.30 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00079 DATED **APR 02 2019**

The following rates and charges are prescribed for the customers in the area served by Southern Water and Sewer 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	\$25.20	Minimum bill
Over	2,000 Gallons	8.70	per 1,000 Gallons

Wholesale Rates

City of Hindman	3.04	per 1,000 Gallons
Knott County Water District	3.10	per 1,000 Gallons
City of Wheelwright	3.02	per 1,000 Gallons

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