

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF	)	CASE NO.
SOUTH HOPKINS WATER DISTRICT	)	2019-00204

ORDER

On June 13, 2019, South Hopkins Water District (South Hopkins District) applied for approval to adjust its rates pursuant to the purchased water adjustment (PWA) procedure.<sup>1</sup>

The Commission notes that in its 2017 Annual Report South Hopkins District reported a water loss of 17.6850 percent.<sup>2</sup> South Hopkins 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, Section 6(3), states that for ratemaking purposes a utility's 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 information in the application and the percentage of other water consumed by the utility in its 2017 Annual Report,<sup>3</sup> South Hopkins District's water loss is determined to be 30.6256 percent for the updated period.<sup>4</sup>

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

<sup>2</sup> 2017 Annual Report at 58.

<sup>3</sup> 2017 Annual Report, line 21, divided by line 4, (19,073 divided by 367,838) equals 5.19 percent.

<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	442,823,050
Less Total Sales (June 27, 2019 Letter correcting Gallons Sold)	284,244,942

Reduction of South Hopkins District's water loss to 15 percent would result in an approximate \$151,492<sup>5</sup> decrease to purchased water expense. Potentially, South Hopkins District is paying \$0.53 per 1,000 gallons sold for expenses associated with 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 water loss threshold and strongly encourages South Hopkins District to pursue reasonable actions to reduce its water loss. Failure by South Hopkins District to make significant progress towards reducing 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. South Hopkins District purchases water from the city of Madisonville (Madisonville) and the city of Dawson Springs (Dawson Springs).
2. Dawson Springs notified South Hopkins District that its wholesale rate would increase from \$1.8702 per 1,000 gallons to \$2.1600 per 1,000 gallons effective July 1, 2019.<sup>7</sup> South Hopkins District proposes to increase the water rates to its

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Less plant use (% determined from 2017 AR)	<u>22,961,097</u>
Water loss - gallons	135,617,011
Water loss - percent	30.6256

<sup>5</sup> Water loss above 15 percent is 15.6256 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$151,492.

<sup>6</sup> Potential purchased water expense reduction divided by sales (\$151,492/(284,244,942/1,000)) equals \$0.53/1,000.

<sup>7</sup> TFS 2019-000314 (Ky. PSC filed May 31, 2019); the tariff was accepted for filing by the Commission by letter dated June 17, 2019.

customers effective July 1, 2019, to reflect the increased cost of purchased water from Dawson Springs.

3. South Hopkins District proposed a purchased water adjustment factor of \$0.31 per 1,000 gallons.

4. South Hopkins District filed a letter on June 27, 2019, stating that the application incorrectly stated the amount of the total gallons sold on the Purchased Adjustment Form. The correct amount of total gallons sold is 284,244,942.

5. During the 12 months ended April 30, 2019, South Hopkins District purchased 5,516,000 gallons of water from Madisonville and 437,307,050 gallons of water from Dawson Springs. During the same period, South Hopkins District sold 284,244,942 gallons of water. The increase in the cost of purchased water is \$126,731.59 resulting in a purchased water adjustment factor of \$0.45 per 1,000 gallons.

6. The purchased water adjustment factor of \$0.45 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

7. South Hopkins District's proposed rates were calculated using incorrect information and 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 South Hopkins District on and after July 1, 2019.

IT IS THEREFORE ORDERED that:

1. South Hopkins District's proposed rates are denied.

2. The purchased water adjustment factor of \$0.45 per 1,000 gallons is approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by South Hopkins District on and after July 1, 2019.

4. Within 20 days of the date of this Order, South 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 closed and will be removed from the Commission's docket.

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By the Commission

ENTERED  
JUL 12 2019  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Steve R. Punsor  
Executive Director

Case No. 2019-00204

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2019-00204 DATED **JUL 12 2019**

	New Rate	Base Rate
Madisonville		
Purchases in Gallons	\$ 5,516,000	5,516,000
Wholesale rate	<u>\$ 4.52/1,000</u>	<u>\$ 4.52/1,000</u>
Total	\$ 24,932.32	\$ 24,932.32

Dawson Springs		
Purchases in Gallons	437,307,050	437,307,050
Wholesale rate	<u>\$ 2.1600/1,000</u>	<u>\$ 1.8702/1,000</u>
Total	\$ 944,583.23	\$ 817,851.64

Total Cost	\$ 969,515.55	\$842,783.96
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Increased water cost \$126,731.59

Increased water cost	\$126,731.59
Divided by Gallons sold/1,000	<u>284,244,942</u>
Purchased water adjustment factor	\$ 0.4459 per 1,000 Gallons

or \$ 0.45 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2019-00204 DATED **JUL 12 2019**

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

5/8 – Inch Meter

First	1,000 Gallons	\$ 12.78 Minimum Bill
Next	9,000 Gallons	7.04 Per 1,000 Gallons
Next	10,000 Gallons	6.57 Per 1,000 Gallons
Next	30,000 Gallons	6.11 Per 1,000 Gallons
Over	50,000 Gallons	5.24 Per 1,000 Gallons

1 – Inch Meter

First	10,000 Gallons	\$ 76.14 Minimum Bill
Next	10,000 Gallons	6.57 Per 1,000 Gallons
Next	30,000 Gallons	6.11 Per 1,000 Gallons
Over	50,000 Gallons	5.24 Per 1,000 Gallons

2 – Inch Meter

First	20,000 Gallons	\$ 141.84 Minimum Bill
Next	30,000 Gallons	6.11 Per 1,000 Gallons
Over	50,000 Gallons	5.24 Per 1,000 Gallons

3 – Inch Meter

First	50,000 Gallons	\$ 325.14 Minimum Bill
Over	50,000 Gallons	5.24 Per 1,000 Gallons

Wholesale Customers

\$ 3.16 Per 1,000 Gallons

\*South Hopkins Water District  
129 South Main Street  
P. O. Box 487  
Dawson Springs, KY 42408

\*Jon Blalock  
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