

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING	)	CASE NO.
OF BULLOCK PEN WATER DISTRICT	)	2019-00461

ORDER

On December 26, 2019, Bullock Pen Water District (Bullock Pen District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup>

The Commission notes that in its 2018 Annual Report, Bullock Pen District reported a water loss of 14.7987 percent.<sup>2</sup> Bullock Pen 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 updated information in the application and the percentage of other water consumed by the utility in its 2018 Annual Report,<sup>3</sup> Bullock Pen District's unaccounted-for water loss is determined to be 16.1353 percent for the updated period.<sup>4</sup> Reduction of Bullock Pen

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

<sup>2</sup> 2018 Annual Report at 62.

<sup>3</sup> 2018 Annual Report, Water Statistics, line 21, divided by line 4, (129,867 divided by 551,831) equals 23.53 percent.

<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	422,930,481
Total Produced (supplement to Application 1/16)	146,985,000
Less Total Sales (application PWA Form 1 at 2)	343,834,757
Less plant use (% determined from 2018 Annual Report)	<u>134,122,972</u>
Water loss - gallons	91,957,752
Water loss - percent	16.1353

District's unaccounted-for water loss to 15 percent would result in an approximate \$17,493.07<sup>5</sup> decrease to purchased water expense. Potentially, Bullock Pen District is paying approximately \$0.05 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 Bullock Pen District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Bullock Pen District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Additionally, in its 2018 Annual Report, Bullock Pen District reported unusually high plant water use of 23.53 percent.<sup>7</sup> This usage consists of water used for line flushing, water treatment plant operations, and water used by the fire department. Based upon the purchased water expense information contained in the application, as well as expenses used by Bullock Pen District in the production of its own water, Bullock Pen District is expending approximately \$395,215.53 annually in water expenses for its own use.<sup>8</sup>

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<sup>5</sup> Water loss above 15 percent is 1.1353 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$17,493.07.

<sup>6</sup> Potential purchased water expense reduction divided by sales (\$17,493.07/(343,834,757/1,000) equals \$0.05/1,000.

<sup>7</sup> 2018 Annual Report, Water Statistics, line 21, divided by line 4, (129,867 divided by 551,831) equals 23.53 percent.

<sup>8</sup> Cost of Purchased Water	\$1,540,832
Purchased Power for Pumping (2018 Annual Report)	90,344
Chemicals Expense (2018 Annual Report)	48,448
<u>Total Cost of Water</u>	<u>\$1,679,624</u>
<u>Times: Plant Use Percentage</u>	<u>23.53%</u>
<u>Total Cost of Plant Use</u>	<u>\$395,216</u>

Bullock Pen District should make a concerted effort to evaluate and implement system improvements to reduce the high amount of plant water use and the associated expense, particularly consumption for line flushing.

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

1. Bullock Pen District purchases water from Northern Kentucky Water District (Northern District), Boone County Water District (Boone District), the city of Walton (Walton), and the city of Williamstown (Williamstown).

2. Williamstown notified Bullock Pen District that on January 1, 2020, it would be increasing its wholesale water rate from \$3.19 per 1,000 gallons to \$3.29 per 1,000 gallons. On July 1, 2019, Boone District increased its wholesale water rate to Bullock Pen District from \$3.93 per 1,000 gallons to \$4.01 per 1,000 gallons. On March 26, 2019, Northern District increased its wholesale water rate to Bullock Pen District from \$3.57 per 1,000 gallons to \$3.78 per 1,000 gallons. Bullock Pen District proposes to increase the water rates to its customers effective February 1, 2020.

3. Bullock Pen District proposed a purchased water adjustment factor of \$0.18 per 1,000 gallons.

4. During the 12 months ended November 30, 2019, Bullock Pen District purchased 188,353,006 gallons from Northern District, 50,574,500 gallons from Boone District, 15,321,550 gallons from Walton, and 168,681,425 gallons from Williamstown, for a total of 422,930,481 gallons. Bullock Pen District sold 343,834,757 gallons of water during the same 12 months. The increase in the cost of purchased water is \$60,468, resulting in a purchased water adjustment factor of \$0.18 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.18 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable, and should be approved.

6. Bullock Pen District's proposed rates, as set forth in Appendix B to this Order are fair, just, and reasonable, and should be approved for water service rendered by Bullock Pen on and after February 1, 2020.

IT IS THEREFORE ORDERED that:

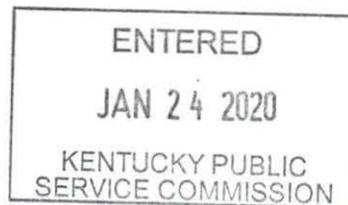
1. The purchased water adjustment factor of \$0.18 per 1,000 gallons is approved.

2. The rates as set forth in Appendix B to this Order are approved for water service rendered by Bullock Pen District on and after February 1, 2020.

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

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

By the Commission



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
 COMMISSION IN CASE NO. 2019-00461 DATED **JAN 24 2020**

	Base Rate	New Rate	Increased Cost
Williamstown			
Purchases in Gallons	168,681,425	168,681,425	
Wholesale rate	<u>\$3.19/1,000</u>	<u>\$3.29/1,000</u>	
	\$538,093.75	\$554,961.89	\$16,868.14
Boone District			
Purchases in Gallons	50,574,500	50,574,500	
Wholesale rate	<u>\$3.93/1,000</u>	<u>\$4.01/1,000</u>	
	\$198,757.79	\$202,803.75	\$4,045.96
Northern District			
Purchases in Gallons	188,353,006	188,353,006	
Wholesale rate	<u>\$3.57/1,000</u>	<u>\$3.78/1,000</u>	
	\$672,420.23	\$711,974.36	\$39,554.13
Walton			
Purchases in Gallons	15,321,550	15,321,550	
Wholesale rate	<u>\$4.64/1,000</u>	<u>No Change</u>	
Increased water cost		\$ 60,468.23	
Divided by Gallons sold/1,000		<u>343,834,757</u>	
Purchased water adjustment factor		\$ 0.1759 per 1,000 Gallons	
		or \$ 0.18 per 1,000 Gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2019-00461 DATED JAN 24 2020

The following rates and charges are prescribed for the customers in the area served by Bullock Pen 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 X 3/4-Inch Meter

First	2,000 Gallons	\$27.71	Minimum Bill
Next	3,000 Gallons	9.36	per 1,000 Gallons
Next	5,000 Gallons	8.52	per 1,000 Gallons
Next	10,000 Gallons	7.67	per 1,000 Gallons
Over	20,000 Gallons	6.82	per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$55.79	Minimum Bill
Next	5,000 Gallons	8.52	per 1,000 Gallons
Next	10,000 Gallons	7.67	per 1,000 Gallons
Over	20,000 Gallons	6.82	per 1,000 Gallons

1 1/2-Inch Meter

First	10,000 Gallons	\$98.39	Minimum Bill
Next	10,000 Gallons	7.67	per 1,000 Gallons
Over	20,000 Gallons	6.82	per 1,000 Gallons

2-Inch Meter

First	20,000 Gallons	\$175.09	Minimum Bill
Over	20,000 Gallons	6.82	per 1,000 Gallons

Bulk Loading Station		\$7.54	per 1,000 Gallons
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