

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF )      CASE NO.  
LAKE VILLAGE WATER ASSOCIATION, INC.      )      2019-00462

ORDER

On December 30, 2019, Lake Village Water Association, Inc. (Lake Village Water) 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 Lake Village Water reported a water loss of 8.6154 percent<sup>2</sup>, however, information filed in the instant case shows that the water loss should have been reported as 20.9772 percent<sup>3</sup>. Lake Village Water's application provides updated purchases and sales information for a more current period than the 2018 Annual Report. Commission regulation 807 KAR 5:066(6)(3) states that for rate making purposes a utility's unaccounted-for water loss shall not exceed fifteen (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 revised filing, Lake Village Water's

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<sup>1</sup> KRS 278.012; 807 KAR 5:068.

<sup>2</sup> 2018 Annual Report at 57, line 33.

<sup>3</sup> Lake Village Water's PSC Monthly Water Loss Report filed on January 14, 2020, with revisions of the Other Water Used to move the Other Usage Line Items (Line 21) to Water Loss-Other Loss (Line 30), so that Water Loss is updated and Line 30 divided by line 4, (44,952 divided by 214,290) equals 20.9772 percent.

unaccounted-for water loss is determined to be 18.4694 percent for the updated period<sup>4</sup>. Reduction of Lake Village Water’s unaccounted-for water loss to 15 percent would result in an approximate \$11,479.46<sup>5</sup> decrease to purchased water expense. Potentially, Lake Village Water is paying \$0.0750 per 1,000 gallons sold, for expenses associated with unaccounted-for 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 fifteen (15) percent unaccounted-for water loss threshold and strongly encourages Lake Village Water to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Lake Village Water 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 otherwise sufficiently advised, the Commission finds that:

1. Lake Village Water purchases water from the city of Danville (Danville) and the city of Harrodsburg (Harrodsburg).

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<sup>4</sup> Total Purchases (application PWA Form 1 pg. 2)	206,026,575
Less Total Sales (application PWA Form 1 pg. 2)	156,715,400
Less plant use (% determined from 2018 AR and revised Information from January 14, 2020 filing)	<u>11,259,352</u>
Water loss - gallons	38,051,823
Water loss - percent	18.4694

<sup>5</sup> Water loss above 15 percent 3.4694  
 Potential purchased water expense reduction (increased wholesale water cost times water loss above 15 percent) (\$338,662.02 x 3.4694 percent) = \$11,749.46.

<sup>6</sup> Potential purchased water expense reduction divided by sales (\$11,749.46/(206,026,575/1,000) equals \$0.0750/1,000.

2. Harrodsburg notified Lake Village Water that its wholesale rate would increase effective January 1, 2020.<sup>7</sup> Lake Village Water proposes to increase the water rates to its customers effective January 15, 2020, to reflect the increased cost of purchased water from Harrodsburg.

3. Lake Village Water miscalculated the increase in the cost of water purchased and calculated a purchased water adjustment factor of \$0.16315 per 1,000 gallons. The correct increase in the cost of water should have been \$24,334.92 which caused the purchase water factor to be \$0.15528 or \$0.16.

4. During the 12 months ended October 31, 2019, Lake Village Water purchased 151,868,736 gallons of water from Danville and 54,157,839 gallons of water from Harrodsburg. During the same period, Lake Village Water sold 156,715,400 gallons of water. The increase in the cost of purchased water is \$24,334.92, resulting in a purchased water adjustment factor of \$0.16 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.16 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

6. Lake Village Water's proposed rates should be denied.

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 Lake Village Water on and after January 15, 2020.

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<sup>7</sup> Danville and Harrodsburg has a declining block rate schedule in cubic feet, which is converted to gallons as Lake Village Association sells water in gallons.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.16 per 1,000 gallons is approved.
2. The rates proposed by Lake Village Water are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Lake Village Water on and after January 15, 2020.
4. Within 20 days of the date of entry of this Order, Lake Village 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 removed from the Commission's docket.

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By the Commission

ENTERED  
JAN 24 2020  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2019-00462 DATED **JAN 24 2020**

	Cubic Feet	Gallons	Current Harrodsburg Rate		Proposed Harrodsburg Rate		Cost of the 1st 448,800 Gallons	
			Cubic Feet	per 1,000 Gallons	Cubic Feet	per 1,000 Gallons	Current Rates	Proposed Rates
1st	250	1,870	\$ 9.87	\$ 13.20	\$11.84	\$ 15.83	\$ 24.68	\$ 29.60
Next	750	5,610	\$ 3.75	\$ 5.01	\$ 4.50	\$ 6.02	\$ 28.11	\$ 33.77
Next	3,000	22,440	\$ 3.26	\$ 4.36	\$ 3.91	\$ 5.23	\$ 97.84	\$ 117.36
Next	6,000	44,880	\$ 2.77	\$ 3.70	\$ 3.32	\$ 4.44	\$ 166.06	\$ 199.27
Next	25,000	187,000	\$ 2.36	\$ 3.15	\$ 2.83	\$ 3.78	\$ 589.05	\$ 706.86
Next	25,000	187,000	\$ 1.97	\$ 2.63	\$ 2.36	\$ 3.16	\$ 491.81	\$ 590.92
Over	60,000	448,800	\$ 1.58	\$ 2.11	\$ 1.90	\$ 2.54		
Subtotal Cost for the 1st 448,800 Gallons							\$ 1,397.54	\$ 1,677.78
Subtotal Cost for 12 Months of the 1st 448,800 Gallons							\$ 16,770.53	\$ 20,133.39
		Total Gallons Purchased	Less the 1st 448,800 Gallons		Cost of the Over 448,800 Gallons			
					Current Rates	Proposed Rates		
11/1/18	4,273,825	448,800	3,825,025		\$ 8,070.80	\$ 9,715.56		
12/1/18	5,478,786	448,800	5,029,986		\$ 10,613.27	\$ 12,776.16		
1/1/19	4,720,067	448,800	4,271,267		\$ 9,012.37	\$ 10,849.02		
2/1/19	4,498,225	448,800	4,049,425		\$ 8,544.29	\$ 10,285.54		
3/1/19	3,753,442	448,800	3,304,642		\$ 6,972.79	\$ 8,393.79		
4/1/19	3,886,788	448,800	3,437,988		\$ 7,254.15	\$ 8,732.49		
5/1/19	4,220,844	448,800	3,772,044		\$ 7,959.01	\$ 9,580.99		
6/1/19	4,604,583	448,800	4,155,783		\$ 8,768.70	\$ 10,555.69		
7/1/19	4,405,921	448,800	3,957,121		\$ 8,349.53	\$ 10,051.09		
8/1/19	4,710,792	448,800	4,261,992		\$ 8,992.80	\$ 10,825.46		
9/1/19	4,915,429	448,800	4,466,629		\$ 9,424.59	\$ 11,345.24		
10/1/19	4,689,137	448,800	4,240,337		\$ 8,947.11	\$ 10,770.46		
Subtotal Cost for the Over 448,800 Gallons							\$ 102,909.42	\$ 123,881.49
Total Cost of the Purchased Water from Harrodsburg							\$ 119,679.96	\$ 144,014.88

	Cubic Feet	Gallons	Current Danville Rate		Cost of the 1st 3,740,000 Gallons	
			per 100	per 1,000	Current	Proposed
			Cubic	Gallons	Rates	Rates
1st	20,000	149,600	\$ 1.68	\$ 2.25	\$ 336.60	\$ 336.60
Next	80,000	598,400	\$ 1.35	\$ 1.80	\$ 1,077.12	\$ 1,077.12
Next	100,000	748,000	\$ 1.05	\$ 1.40	\$ 1,047.20	\$ 1,047.20
Next	300,000	2,244,000	\$ 0.96	\$ 1.28	\$ 2,872.32	\$ 2,872.32
Over	500,000	3,740,000	\$ 0.91	\$ 1.22		

Subtotal Cost for the 1st 448,800 Gallons	\$ 5,333.24	\$ 5,333.24
Subtotal Cost for 12 Months of the 1st 448,800 Gallons	\$ 63,998.88	\$ 63,998.88

	Total Gallons Purchased	Less the 1st 3,740,000 Gallons	Cost of the Over 3,740,000 Gallons	
			Current Rates	Proposed Rates
11/1/18	12046705	8,306,705	\$ 10,134.18	\$ 10,134.18
12/1/18	11891308	8,151,308	\$ 9,944.60	\$ 9,944.60
1/1/19	14020280	10,280,280	\$ 12,541.94	\$ 12,541.94
2/1/19	13302873	9,562,873	\$ 11,666.71	\$ 11,666.71
3/1/19	11797785	8,057,785	\$ 9,830.50	\$ 9,830.50
4/1/19	12986372	9,246,372	\$ 11,280.57	\$ 11,280.57
5/1/19	12956355	9,216,355	\$ 11,243.95	\$ 11,243.95
6/1/19	10892720	7,152,720	\$ 8,726.32	\$ 8,726.32
7/1/19	11736217	7,996,217	\$ 9,755.38	\$ 9,755.38
8/1/19	13093949	9,353,949	\$ 11,411.82	\$ 11,411.82
9/1/19	14229645	10,489,645	\$ 12,797.37	\$ 12,797.37
10/1/19	13014527	9,274,527	\$ 11,314.92	\$ 11,314.92

Subtotal Cost for the Over 3,740,000 Gallons	\$ 130,648.26	\$ 130,648.26
Total Cost of the Purchased Water from Danville	\$ 194,647.14	\$ 194,647.14

Cost of Water Purchased from Harrodsburg	\$ 119,679.96	\$ 144,014.88
Cost of Water Purchased from Danville	\$ 194,647.14	\$ 194,647.14
Total Cost of Water Purchased	\$ 314,327.10	\$ 338,662.02

Total Increase Cost of Purchased water	\$ 338,662.02	
	\$ 314,327.10	= \$ 24,334.92

Total Gallons Sold by Lake Village 156,715,400

Purchased Water Factor \$ 24,334.92 / 156,715,400 /1000 or \$ 0.1553  
or \$ 0.16

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2019-00462 DATED **JAN 24 2020**

The following rates and charges are prescribed for the customers in the area served by Lake Village Water Association, 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

5/8 Inch X 3/4 Inch - Meter

First	2,000 Gallons	\$ 26.72	Minimum bill
Next	18,000 Gallons	10.41	per 1,000 Gallons
All Over	20,000 Gallons	8.43	per 1,000 Gallons

Wholesale Water Rate

North Point Training Center	4.06	per 1,000 Gallons
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