

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF BEECH GROVE)	2020-00156
WATER SYSTEM, INC.)	

ORDER

On May 14, 2020, 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 5:068.¹ Beech Grove Water responded to one round of discovery.

The Commission notes that Beech Grove Water reported a water loss of 15.5092 percent in its 2019 Annual Report.² Beech Grove Water's application provides updated purchase and sales information for a more current period than the 2019 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 2019 Annual Report,³ Beech Grove Water's unaccounted-for water loss is determined to be 19.4488 percent for the updated period.⁴ Reduction of Beech Grove

¹ KRS 278.012; 807 KAR 5:068.

² 2019 Annual Report at 57.

³ 2019 Annual Report, Water Statistics, line 22, divided by line 4, (310 divided by 85,472) equals 0.3627 percent.

⁴ Total Purchases (application PWA Form 1 at 2)	85,089,347
Less Total Sales (application PWA Form 1 at 2)	68,231,920

Water's unaccounted-for water loss to 15 percent would result in an approximate \$10,567⁵ decrease to purchased water expense. Beech Grove Water is paying approximately \$0.16 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent threshold.⁶

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.

In a review of the Commissions records from 1985 to the present dates, the Commission notes that its records indicate Beech Grove Water has not sought a general base rate adjustment since 2010. The unaccounted-for water loss amounts combined with the lack of insight into Beech Grove Water's financial records supports the Commission's finding that Beech Grove Water should file an application for a traditional adjustment in rates or an alternative rate adjustment within one year of the date of this Order to ensure its revenue is sufficient to support adequate and reliable service.

Less plant use (% determined from 2019 Annual Report)	<u>308,612</u>
Water loss - gallons	16,548,815
Water loss - percent	19.4488%

⁵ Water loss above 15 percent is 4.4488 percent, so the cost of water loss is as follows:
 $(\$237,530.23 \times 0.044488) = \$10,567.13$

⁶ Potential purchased water expense reduction divided by sales $(\$10,567.13 / (68,231,920 / 1,000))$ equals \$0.16 per 1,000 gallons.

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

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

2. West Daviess District notified Beech Grove Water that its wholesale volumetric water rate would increase from \$3.19 per 1,000 gallons to \$3.84 effective June 1, 2020. Beech Grove Water proposes to increase the water rates to its customers effective June 1, 2020, to reflect the overall increase in cost of purchased water from Henderson.

3. The Commission's final Order in West Daviess District Case No. 2020-00150 approved the wholesale rate of \$3.85 per 1,000 gallons to Beech Grove Water.⁷

4. Beech Grove reported 36,650,000 gallons in the Other Sales category of its 2019 Annual Report.⁸ The Annual Report form directs utilities to provide an explanation for sales reported in this category. Beech Grove Water should in the future fully fill out the Annual Report form to avoid any confusion.

5. Beech Grove Water proposed a purchased water adjustment factor of \$0.04 per 1,000 gallons in its application.

6. During the 12 months ended April 30, 2019, Beech Grove Water purchased 81,653,447 gallons of water from Henderson and 3,435,900 gallons of water from West Daviess District. During the same period, Beech Grove Water sold 68,231,920 gallons

⁷ Case No. 2020-00150, *Electronic Purchased Water Adjustment Filing Of West Daviess County Water District* (Ky. PSC May 14, 2020).

⁸ 2019 Annual Report at 57.

of water. The increase in the cost of purchased water is \$2,267.69, resulting in a purchased water adjustment factor of \$0.04 per 1,000 gallons.

7. The purchased water adjustment factor of \$0.04 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

8. Beech Grove Water's proposed rates should be approved.

9. 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 June 1, 2020.

10. Beech Grove Water is charging less per 1,000 gallons at its Bulk Loading Station than Beech Grove Water is paying per 1,000 gallons when purchasing water from its wholesale suppliers.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.04 per 1,000 gallons is approved.

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 June 1, 2020.

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. Beech Grove Water shall provide an explanation of Other Sales when filing future Annual Reports with the Commission.

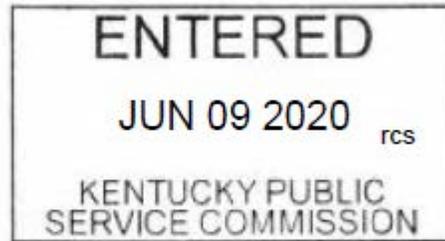
6. Within one year of the date of this Order, Beech Grove Water shall file an application for a traditional adjustment in rates or an alternative rate adjustment to ensure its revenue is sufficient to support adequate and reliable service.

7. Within 30 days of this Order, Beech Grove Water shall file with the Commission, using the Commission's electronic Tariff Filing System, a nonrecurring charge application adjusting its Bulk Loading Station rate to ensure it is recovering sufficient revenues to cover the expenses incurred to provide the service.

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

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By the Commission



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00156 DATED JUN 09 2020

	New Rate	Base Rate
Henderson		
Purchases in Gallons	81,653,447	81,653,447
Wholesale rate	<u>\$2.7470/1,000</u>	<u>\$2.7470/1,000</u>
	\$224,302.02	\$224,302.02
West Daviess		
Purchases in Gallons	3,435,900	3,435,900
Wholesale rate	<u>\$3.8500/1,000</u>	<u>\$3.1900/1,000</u>
	\$13,228.22	\$10,960.52
Total	\$237,530.24	\$235,262.54
Increased water cost		\$ 2,267.70
Increased water cost		\$ 2,267.70
Divided by Gallons sold/1,000		<u>68,231,920</u>
Purchased water adjustment factor		\$ 0.0332 per 1,000 Gallons
		or \$ 0.0400 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00156 DATED JUN 09 2020

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	\$17.42 Minimum Bill
Next 98,000 Gallons	5.52 Per 1,000 Gallons
Over 100,000 Gallons	4.62 Per 1,000 Gallons
Bulk Loading Station	2.45 Per 1,000 Gallons

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