

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF BEECH GROVE)	2021-00062
WATER SYSTEM, INC.)	

ORDER

On February 12, 2021, Beech Grove Water System, Inc. (Beech Grove Water) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in Beech Grove Water's 2019 Annual Report a water loss of 15.5092 percent was reported.² Beech Grove Water's application provides updated purchases 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

¹ KRS 278.015; 807 KAR 5:068.

² *Annual Report of Beech Grove Water System, Inc. for the Year Ended December 31, 2019* at 57.

³ *Id.*, line 22, (310) divided by line 4 (85,472) equals 0.3627%.

is determined to be 29.7215 percent for the updated period.⁴ Reduction of Beech Grove Water's unaccounted-for water loss to 15 percent would result in an approximate \$32,761.63⁵ decrease to purchased water expense. Potentially, Beech Grove Water is paying approximately \$0.59 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent⁶ threshold.

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.

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

1. Beech Grove Water purchases water from Henderson Water Utility (Henderson Water) and West Daviess Water District (West Daviess District).
2. Henderson Water notified Beech Grove Water that its wholesale rate will increase from \$2.747 per 1,000 gallons to \$3.3919 per 1,000 gallons, effective March 1,

4 Total Purchases (application PWA Form 1 at 2)	79,819,384
Less Total Sales (application PWA Form 1 at 2)	55,806,400
Less Plant Use (% determined from 2019 AR)	<u>289,505</u>
Water Loss – Gallons	23,723,479
Water Loss – Percent	29.7215%

⁵ Water loss above 15 percent is 14.7215 percent, potential purchased water expensed reduction (Total water cost at new wholesale rate of \$222,542.75 times water loss above 15 percent) = \$32,761.63.

⁶ Potential purchased water expense reduction divided by sales (\$32,761.63/ (55,806,400/1,000)) equals \$0.5871 per 1,000 gallons.

2021; however, the Commission suspended the proposed increase up to and including August 1, 2021.⁷ West Daviess District notified Beech Grove Water that its wholesale rate would increase from \$3.85 per 1,000 gallons to \$4.38 per 1,000 gallons, effective December 30, 2020.

3. Beech Grove Water proposed a purchased water adjustment factor of \$0.92 per 1,000 gallons in its application.

4. During the 12 months ended December 31, 2020, Beech Grove Water purchased 77,811,484 gallons of water from Henderson and 2,007,900 gallons of water from West Daviess District. During the same period, Beech Grove Water sold 55,806,400 gallons of water. The increase in the cost of purchased water is \$1,064.18, resulting in a purchased water adjustment factor of \$0.02 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.02 per 1,000 gallons, as calculated in Appendix A to this Order is fair, just and reasonable and should be approved.

7. Beech Grove Water's proposed rates 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 Beech Grove Water on and after March 1, 2021.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.02 per 1,000 gallons is approved.

2. The rates proposed by Beech Grove are denied.

⁷ Case No. 2021-00067, *Electronic Tariff Filing of Henderson Water Utility Revising Its Wholesale Water Service Rates* (Ky. PSC Feb. 23, 2021).

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 March 1, 2021.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

By the Commission

ENTERED
MAR 09 2021 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2021-00062

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00062 DATED MAR 09 2021

	New Rate	Base Rate
Henderson Water		
Purchases in Gallons	77,811,484	77,811,484
Wholesale rate	<u>\$ 2.747/1,000</u>	<u>\$ 2.747/1,000</u>
	\$213,748.15	\$213,748.15
West Daviess District		
Purchases in Gallons	2,007,900	2,007,900
Wholesale rate	<u>\$4.38/1,000</u>	<u>\$3.85/1,000</u>
	\$8,794.60	\$7,730.42
Increased water cost		\$1,064.18
Increased water cost	\$ 1,064.18	
Divided by Gallons sold/1,000	<u>55,806,400</u>	
Purchased water adjustment factor	\$ 0.0191 per 1,000 Gallons	

or \$ 0.02 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00062 DATED MAR 09 2021

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	\$17.46 Minimum Bill
Next	98,000 Gallons	.00554 per gallon
Over	100,000 Gallons	.00464 per gallon
Bulk Loading		.00525 per gallon

*Beech Grove Water System, Inc.
445 State Route 56 North
Calhoun, KY 42327

*Sheila Murphy
Beech Grove Water System, Inc.
445 State Route 56 North
Calhoun, KY 42327

*Jason Pennell
Kentucky Rural Water Association
Post Office Box 1424
1151 Old Porter Pike
Bowling Green, KENTUCKY 42102-1424