

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF BEECH GROVE)	2021-00474
WATER SYSTEM, INC.)	

ORDER

On December 17, 2021, Beech Grove Water System (Beech Grove Water) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068. By letter dated December 21, 2021, the Commission notified Beech Grove Water that its application was rejected because of certain filing deficiencies. On December 21, 2021, Beech Grove Water submitted further documentation to correct the filing deficiency, and the application was accepted for filing as of that date.

LEGAL STANDARD

In accordance with KRS 278.012 and 807 KAR 5:068(2), when a wholesale supplier selling water to a water association increases its rates, the water association has the authority to increase its rates commensurate with the wholesale supplier. The water association must file a copy of the notice from the wholesale supplier showing the increase in the wholesale rate, and a statement of the volume of purchased water used. In accordance with KRS 278.012(2), the Commission “shall approve the filing” by order no later than 30 days after the above documents are filed.

DISCUSSION

Unaccounted-for Water Loss

Commission regulation 807 KAR 5:066, Section 6(3) states that for ratemaking purposes a utility's unaccounted-for water loss shall not exceed 15 percent of the total water produced and purchased, excluding water consumed by a utility in its own operations. In its 2020 Annual Report filed with the Commission, Beech Grove Water reported a water loss of 29.3827 percent.¹ Beech Grove Water's application provides updated purchase and sales information for a more current period than the 2020 Annual Report. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2020 Annual Report, Beech Grove Water's unaccounted-for water loss is 21.7824² percent for the updated period.³ Reduction of Beech Grove Water's unaccounted-for water loss to 15 percent would result in an approximate \$18,573.24 decrease to purchased water expense.⁴ Potentially, Beech Grove Water is paying approximately \$0.3027 per 1,000 gallons sold for expenses

¹ *Annual Report of Beech Grove Water to the Public Service Commission for the Year Ended December 31, 2020* at 57.

² Water Loss of 17,239,314 gallons divided by Total water purchased of 79,143,288 gallons equals 21.7824% of purchased water loss.

³ Total Purchases (application PWA Form 1 at 2)	79,143,288
Less Total Sales (application PWA Form 1 at 2)	61,348,705
Less Plant Use (% determined from 2020 AR)	555,269
Water Loss – Gallons	17,239,314
Water Loss – Percent	21.7824%

⁴ Water loss above 15% is 6.7824%, potential purchased water expensed reduction (Total water cost at new wholesale rate of \$273,844.64 times water loss above 15%) = \$18,573.24

associated with unaccounted-for water loss in excess of the 15 percent threshold.⁵ Beech Grove Water's annual expense due to 21.7824 percent water loss is \$59,649.93.⁶

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission 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.

Financial Condition and Rates

Based on a review of Commission records, Beech Grove Water has not sought a general base rate adjustment since 2010. On June 9, 2020, in Case No. 2020-00156, the Commission found that Beach Grove Water should file an application for a rate adjustment by June 9, 2021.⁷ On October 18, 2021, Case No. 2021-00349⁸ was established by the Commission because Beech Grove Water did not file for a rate adjustment as ordered in Case No. 2020-00156. Beech Grove Water responded on

⁵ Potential purchased water expense reduction divided by sales (\$18,573.24/ (61,348,705/1,000)) equals \$0.3028 per 1,000 gallons.

⁶ Total water cost at new wholesale rate of \$273,844.64 times 0.217824 (total water loss percentage).

⁷ Case No. 2020-00156, *Electronic Purchased Water Adjustment Filing of Beech Grove Water System, Inc.* (Ky. PSC June 9, 2020) final Order.

⁸ Case No. 2021-00349, *Electronic Alleged Failure of Beech Grove Water System, Inc. and its Officers, Nathan Ward, Chad McMahon, Greg Cheatham, Greg Dant, and its Manager, Sheila Murphy, to Comply with a Commission Order, KRS 278.990 Purchased Water Adjustment Filing of Beech Grove Water System, Inc.* (Ky. PSC Oct. 18, 2021).

October 29, 2021, that a rate consultant would be contacted to help the utility file a rate case in the near future.⁹

FINDINGS

Having reviewed the record and being otherwise 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 would increase from \$2.7470 per 1,000 gallons to \$3.3919 per 1,000 gallons, effective March 1, 2021. The Commission suspended the proposed increase up to and including August 1, 2021, and established Case No. 2021-00067 to investigate the reasonableness of the rate increase.¹⁰ On November 24, 2021, the Commission approved Henderson Water's proposed wholesale rate increase in Case No. 2021-00067. Beech Grove Water proposes to increase the water rates to its customers effective November 24, 2021, to reflect the increased cost of purchased water from Henderson Water.

3. Beech Grove Water proposed a purchased water adjustment factor of \$0.80 per 1,000 gallons in its application.

4. During the 12 months ended October 31, 2021, Beech Grove Water purchased 75,415,288 gallons of water from Henderson Water and 3,728,000 gallons of water from West Daviess District. During the same period, Beech Grove Water sold

⁹ Case No. 2021-00349, *Beech Grove Water System, Inc.* (Ky. PSC Dec. 10, 2021).

¹⁰ Case No. 2021-00067, *Electronic Tariff Filing of Henderson Water Utility Revising Its Wholesale Water Service Rates* (Ky. PSC Feb. 23, 2021).

61,348,705 gallons of water. The increase in the cost of purchased water is \$48,635.32,¹¹ resulting in a purchased water adjustment factor of \$0.80 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.80 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved, because the water adjustment factor is supported by evidence of the increase in rates from Beech Grove Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

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

7. The rates 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 November 24, 2021, because the rates are supported by evidence of the increase in rates from Beech Grove Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.80 per 1,000 gallons is approved.

2. The rates proposed by Beech Grove Water are approved.

3. The rates set forth in Appendix B to this Order are approved for water service rendered by Beech Grove Water on and after November 24, 2021.

¹¹ The application at PWA Form 1, Item 5, Increased Water Cost, erroneously listed the amount as 61,348. However, Exhibit B of the application accurately shows the calculation of increased water cost as \$48,635 rounded to the nearest dollar.

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.

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By the Commission

ENTERED
JAN 11 2022 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2021-00474

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00474 DATED JAN 11 2022

	Base Rate	New Rate	Increase
Henderson Water Purchases in Gallons	75,415,288	75,415,288	
Wholesale rate	<u>\$ 2.7470/1,000</u>	<u>\$ 3.3919/1,000</u>	
	\$207,165.80	\$255,801.12	\$48,635.32
West Daviess District Purchases in Gallons	3,728,000	3,728,000	
Wholesale rate	<u>\$4.84/1000</u>	<u>\$4.84/1000</u>	N/A
	\$18,043.52	\$18,043.52	
Increased water cost		\$48,635.32	
Increased water cost		\$48,635.32	
Divided by Gallons sold/1,000		<u>61,348,705</u>	
Purchased water adjustment factor		\$ 0.7928 per 1,000 Gallons	

or \$ 0.80 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00474 DATED JAN 11 2022

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 authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First	2,000 Gallons	\$19.10 Minimum Bill
Next	98,000 Gallons	0.00636 per gallon
Over	100,000 Gallons	0.00546 per gallon
Bulk Loading		0.00600 per gallon

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