

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF BEECH GROVE	)	2022-00047
WATER SYSTEM, INC.	)	

ORDER

On February 11, 2022, 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.

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water association increases its rates, the water association has the authority to increase its rate commensurate with the wholesale supplier. Within 20 days after any such increase in rates, the water association shall file its revised tariffs with the commission, 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. The Commission shall approve the filing by order within 30 days after the above documents are filed.

DISCUSSION

Unaccounted-for Water

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.<sup>1</sup> 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 20.2707 percent for the updated period.<sup>2</sup> Reduction of Beech Grove Water’s unaccounted-for water loss to 15 percent would result in an approximate \$15,837.53 decrease to purchased water expense.<sup>3</sup> Potentially, Beech Grove Water is paying approximately \$0.2571 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.<sup>4</sup> Beech Grove Water’s annual expense due to 20.2707 percent water loss expense is \$60,909.89.<sup>5</sup>

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

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<sup>1</sup> *Annual Report of Beech Grove Water System to the Public Service Commission for the Year Ended December 31, 2020* (2020 Annual Report) at 57.

<sup>2</sup> Total Purchases (application PWA Form 1 at 2)	77,959,262
Less Total Sales (application PWA Form 1 at 2)	61,609,400
Less Plant Use (% determined from 2020 Annual Report)	546,962
Water Loss – Gallons	15,802,900
Water Loss – Percent	20.2707%

<sup>3</sup> Water loss above 15% is 5.2707%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$300,482.43 times water loss above 15%) = \$15,837.53.

<sup>4</sup> Potential purchased water expense reduction divided by sales (\$15,837.53/ (61,609,400/1,000)) equals \$0.2571 per 1,000 gallons.

<sup>5</sup> Total water cost at new wholesale rate of \$300,482.43 times 0.202707 (total water loss percentage).

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 against the utility.

### Financial Condition and Rates

On June 9, 2020, in Case No. 2020-00156, the Commission found that the utility should file an application for a rate adjustment by June 9, 2021.<sup>6</sup> On October 18, 2021, Case No. 2021-00349<sup>7</sup> was initiated 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 October 29, 2021, that a rate consultant would be contacted to help the utility file a rate case in the near future.<sup>8</sup> On February 21, 2022, Case No. 2022-00054 was initiated and Beech Grove Water filed its notice of intent and election to file an alternative rate filing no later than March 31, 2022.

### 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 Daviess County Water District (Daviess District).

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<sup>6</sup> Case No. 2020-00156, *Electronic Purchased Water Adjustment Filing of Beech Grove Water System, Inc.* (Ky. PSC June 9, 2020) final Order.

<sup>7</sup> 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* (Ky. PSC Oct. 18, 2021).

<sup>8</sup> Case No. 2021-00349, *Beech Grove Water System, Inc.* (Ky. PSC Dec. 10, 2021).

2. Henderson Water notified Beech Grove Water that its wholesale rate would increase from \$3.3919 per 1,000 gallons to \$3.8117 per 1,000 gallons, effective March 1, 2022. Beech Grove Water proposes to increase the water rates to its customers effective March 1, 2022, to reflect the increased cost of purchased water from Henderson Water.

3. Beech Grove Water proposed a purchased water adjustment factor of \$0.51 per 1,000 gallons in its application.

4. During the 12 months ended December 31, 2021, Beech Grove Water purchased 74,725,662 gallons of water from Henderson Water and 3,233,600 gallons of water from Daviess District. During the same period, Beech Grove Water sold 61,609,400 gallons of water. The increase in the cost of purchased water is \$31,369.84, resulting in a purchased water adjustment factor of \$0.51 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.51 per 1,000 gallons for general rates and \$0.50 per 1,000 gallons for the bulk loading station rate,<sup>9</sup> 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. Given the limitations of Beech Grove Water's bulk loading station, a purchased water adjustment factor of \$0.50 per 1,000 gallons for bulk loading stations is in substantial compliance with 807 KAR 5:068.

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

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<sup>9</sup> The bulk loading station is coin operated and operates only with the use of quarters, thus the bulk station rate must be divisible by 25.

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 Beech Grove Water on and after March 1, 2022, 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 278.012.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.51 per 1,000 gallons for general rates and \$0.50 per 1,000 gallons for the bulk loading station rate 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 March 1, 2022.

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.

By the Commission

ENTERED  
FEB 25 2022  
rCS  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2022-00047



APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00047 DATED FEB 25 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	\$20.12 Minimum Bill
Next	98,000 Gallons	.00687 per gallon
Over	100,000 Gallons	.00597 per gallon
Bulk Loading		.00650 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