

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF EAST DAVIESS	)	2022-00112
COUNTY WATER ASSOCIATION, INC.	)	

ORDER

On May 4, 2022, East Daviess County Water Association (East Daviess 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. 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 to calculate the rate adjustment. The Commission shall approve the filing by order 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, East Daviess Water

reported a water loss of 15.5693 percent.<sup>1</sup> East Daviess 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, East Daviess Water’s unaccounted-for water loss is 17.6426 percent for the updated period.<sup>2</sup> Reduction of East Daviess Water’s unaccounted-for water loss to 15 percent would result in an approximate \$22,101.38 decrease to purchased water expense.<sup>3</sup> Potentially, East Daviess Water is paying approximately \$0.09 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.<sup>4</sup> East Daviess Water’s total water loss expense is \$147,553.87.<sup>5</sup>

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages East Daviess Water to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by East Daviess Water to make significant

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<sup>1</sup> *Annual Report of East Daviess Water to the Public Service Commission for the Year Ended December 31, 2020* at 57.

<sup>2</sup> Total Purchases (application PWA Form 1 of 2)	316,799,200
Less Total Sales(application PWA Form 1 of 2)	251,681,377
Less Plant Use (% determined from 2020 Annual Report)	9,226,143
Water Loss – Gallons	55,891,680
Water Loss – Percent	17.6426%

<sup>3</sup> Water loss above 15% is 2.6426%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$836,349.89 times water loss above 15%) equals \$22,101.38.

<sup>4</sup> Potential purchased water expense reduction divided by sales (\$22,101.38/ (251,681,377/1,000)) equals \$0.09 per 1,000 gallons.

<sup>5</sup> Total water cost at new wholesale rate of \$836,349.89 times 0.176426 (total water loss percentage) equals \$147,553.87.

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, East Daviess Water has not sought a general base rate adjustment for over five years.<sup>6</sup>

In Case No. 2019-00041, the Commission discussed the problems that can occur when utilities avoid a review of their financial records by relying solely on financing cases to increase rates.<sup>7</sup> A key recommendation from that proceeding was that water associations should monitor the sufficiency of their base rates closely and, in general, apply for base rate adjustments on a more frequent basis.<sup>8</sup>

Based upon a review of the annual and audit reports filed with the Commission, East Daviess Water's principal debt service declined from \$151,944 in 2020 to an annual average of \$10,798 for 2021-2024. However, to ensure the continued economic and operational stability of East Daviess Water, the Commission finds it is necessary for the utility to conduct a rate review and rate case for the Commission's review within the next three years. East Daviess Water shall file an application for a general base rate adjustment or an alternative rate adjustment by June 1, 2025, supported by a cost of service study. In the alternative, East Daviess Water may file a formal motion with a detailed analysis of its rates and revenues and a statement of the reasons why it believes

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<sup>6</sup> See Case No. 2016-00177, *Application of East Daviess County Water Association, Inc. for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 11, 2016), final Order.

<sup>7</sup> See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

<sup>8</sup> Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

a rate case is not necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve East Daviess Water from this requirement.

### FINDINGS

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

1. East Daviess Water purchases water from Owensboro Municipal Utilities (Owensboro).

2. Owensboro notified East Daviess Water that its wholesale rate would increase from \$2.16 per 1,000 gallons to \$2.64 per 1,000 gallons, effective June 1, 2022. East Daviess Water proposes to increase the water rates to its customers effective June 1, 2022, to reflect the increased cost of purchased water from Owensboro.

3. East Daviess Water proposed a purchased water adjustment factor of \$0.61 per 1,000 gallons in its application.

4. During the 12 months ended March 31, 2022, East Daviess Water purchased 316,799,200 gallons of water from Owensboro. During the same period, East Daviess Water sold 251,681,377 gallons of water. The increase in the cost of purchased water is \$152,063.62, resulting in a purchased water adjustment factor of \$0.61 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.61 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and is approved, because the water adjustment factor is supported by evidence of the increase in rates from East Daviess Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

6. East Daviess Water's proposed rates are approved.

7. The rates as set forth in Appendix B to this Order are fair, just and reasonable and is approved for water service rendered by East Daviess Water on and after June 1, 2022, because the rates are supported by evidence of the increase in rates from East Daviess Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

8. East Daviess Water should conduct a rate study and file a rate case within three years of the date of this order, or file a formal motion with a detailed analysis of its rates and revenues and a statement of the reasons why it believes a rate case is not necessary. .

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.61 per 1,000 gallons is approved.

2. The rates proposed by East Daviess Water are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by East Daviess Water on and after June 1, 2022.

4. Within 20 days of the date of entry of this Order, East Daviess Water shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

5. East Daviess Water shall file a rate study or a rate case within three years of the date of this order, or file a formal motion with a detailed analysis of its rates and revenues and a statement of the reasons why it believes a rate case is not necessary.

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

PUBLIC SERVICE COMMISSION



Chairman

\_\_\_\_\_  
Vice Chairman

\_\_\_\_\_  
Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00112 DATED JUN 02 2022

	Base Rate	New Rate
<u>Owensboro Municipal Utilities</u>		
Purchases in Gallons	316,799,200	316,799,200
Wholesale rate	<u>\$2.16/1,000</u>	<u>\$ 2.64/1,000</u>
	\$684,286.27	\$836,349.89
Increased water cost		\$ 152,063.62
Increased water cost		\$152,063.62
Divided by Gallons sold/1,000		<u>251,681,377</u>
Purchased water adjustment factor		\$ 0.6042 per 1,000 Gallons
		or \$ 0.61 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00112 DATED JUN 02 2022

The following rates and charges are prescribed for the customers in the area served by East Daviess 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 Rates

5/8 X 3/4-Inch Meter

First	2,000 Gallons	19.68	Minimum Bill
Next	4,000 Gallons	0.00717	Per Gallon
Next	44,000 Gallons	0.00608	Per Gallon
Over	50,000 Gallons	0.00528	Per Gallon

3/4-Inch Meter

First	3,000 Gallons	26.85	Minimum Bill
Next	3,000 Gallons	0.00717	Per Gallon
Next	44,000 Gallons	0.00608	Per Gallon
Over	50,000 Gallons	0.00528	Per Gallon

1-Inch Meter

First	6,000 Gallons	48.36	Minimum Bill
Next	44,000 Gallons	0.00608	Per Gallon
Over	50,000 Gallons	0.00528	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	72.68	Minimum Bill
Next	40,000 Gallons	0.00608	Per Gallon
Over	50,000 Gallons	0.00528	Per Gallon

2-Inch Meter

First	20,000 Gallons	133.48	Minimum Bill
Next	30,000 Gallons	0.00608	Per Gallon
Over	50,000 Gallons	0.00528	Per Gallon

Leak Adjustment Rate

0.00418 Per Gallon

Wholesale Rates

0.00348 Per Gallon

\*East Daviess County Water Association, Inc.  
9210 Highway Route 144  
Knottsville, KY 42366

\*Agnes Johnson  
East Daviess County Water Association, Inc.  
9210 Highway Route 144  
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