

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF KIRKSVILLE WATER	)	2022-00185
ASSOCIATION, INC.	)	

ORDER

On June 17, 2022, Kirksville Water Association, Inc. (Kirksville Water) applied for approval to adjust its rates pursuant to the purchased water adjustment (PWA) 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 AND FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Kirksville Water purchases water from Richmond Utilities (Richmond). The Commission finds that Richmond notified Kirksville Water that its wholesale rate would increase from \$2.53725 per 100 cubic feet to \$2.72272 per

100 cubic feet, effective July 1, 2022.<sup>1</sup> Kirksville Water proposed to increase the water rates to its customers effective July 1, 2022, to reflect the increased cost of purchased water from Richmond.

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 2021 Annual Report filed with the Commission, Kirksville Water reported a water loss of 22.8818 percent.<sup>2</sup> Kirksville Water's application provides updated purchase and sales information for a more current period than the 2021 Annual Report. Based upon the updated information in the application and the percentage of water consumed by the utility, as described in its 2021 Annual Report, Kirksville Water's unaccounted-for water loss is 24.1443 percent for the updated period.<sup>3</sup> Reduction of Kirksville Water's unaccounted-for water loss to 15 percent would result in an approximate \$45,165.99 decrease to purchased water expense.<sup>4</sup> Potentially, Kirksville Water is paying approximately \$0.48 per 1,000 gallons sold for expenses associated with

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<sup>1</sup> TFS 2022-00262 (Ky. PSC filed May 25, 2022); the tariff was accepted for filing by the Commission by letter dated June 24, 2022.

<sup>2</sup> *Annual Report of Kirksville Water to the Public Service Commission for the Year Ended December 31, 2021* at 57.

<sup>3</sup> Total Purchases (application PWA Form 1 at 2)	124,785,848
Less Total Sales (application PWA Form 1 at 2)	94,575,249
Less Plant Use (0.0657% determined from 2021 Annual Report)	81,984
Water Loss – Gallons	30,128,615
Water Loss – Percent	24.1443%

<sup>4</sup> Water loss above 15% is 9.1443%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$493,925.07 times water loss above 15%) equals \$45,165.99.

unaccounted-for water loss in excess of the 15 percent threshold.<sup>5</sup> The cost of Kirksville Water's total water loss is \$119,254.75.<sup>6</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 Kirksville Water to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Kirksville Water to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Based on a review of Commission records, Kirksville Water has not sought a general base rate adjustment since 2015. Most recently, in Case No. 2022-00076,<sup>7</sup> the Commission ordered Kirksville Water to file a rate case within six months. In Case No. 2019-00041, the Commission discussed the problems that can occur when utilities intentionally avoid a review of their financial records by relying solely on financing cases to increase rates.<sup>8</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>9</sup>

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<sup>5</sup> Potential purchased water expense reduction divided by sales (\$45,165.99/ (94,575,249/1,000)) equals \$0.48 per 1,000 gallons.

<sup>6</sup> Total water cost at new wholesale rate of \$493,925.07 times 24.1443 percent water loss equals \$119,254.75.

<sup>7</sup> Case No. 2022-00076, *Electronic Application of Kirksville Water Association, Inc. for Permission to Issue Indebtedness Pursuant to KRS 278.300* (Ky. PSC June 20, 2022), 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.

<sup>9</sup> Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

In its application, Kirksville Water proposed a purchased water adjustment factor of \$0.28 per 1,000 gallons in its application. Kirksville Water incorrectly listed the supplier base rate as \$2.56770 per 100 cubic feet in the application, rather than the correct supplier base rate of \$2.53725 per 100 cubic feet, leading to an incorrectly calculated purchased water adjustment factor of \$0.28 per 1,000 gallons. Therefore, the Commission finds that Kirksville Water's proposed rates should be denied.

During the 12 months ended April 1, 2022, Kirksville Water purchased 124,785,848 gallons of water from Richmond and sold 94,575,249 gallons of water to its customers. The increase in the cost of purchased water is \$30,941.21, resulting in a purchased water adjustment factor of \$0.33 per 1,000 gallons. The purchased water adjustment factor of \$0.33 per 1,000 gallons, as calculated in Appendix A and the rates set forth in Appendix B to this Order, are fair, just and reasonable and should be approved for water service rendered by Kirksville Water on and after July 1, 2022. The water adjustment factor is supported by evidence of the increase in rates from Kirksville 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 \$0.33 per 1,000 gallons is approved.
2. The rates proposed by Kirksville Water are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Kirksville Water on and after July 1, 2022.

4. Within 20 days of the date of entry of this Order, Kirksville 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.

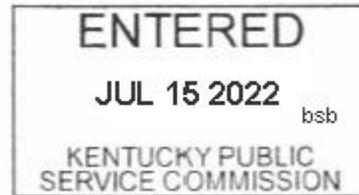
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PUBLIC SERVICE COMMISSION

  
Chairman

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Vice Chairman

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w/permission*  
  
Commissioner



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00185 DATED JUL 15 2022

	Base Rate	New Rate	Increase
<u>Richmond</u>			
Purchases in cubic feet <sup>1</sup>	16,682,600	16,682,600	
Volumetric rate	\$2.53725/100	\$2.72272/100	
KY River Authority	\$0.238/100	\$0.238/100	
Total Volumetric rate	<u>\$ 2.77525/100</u>	<u>\$ 2.96072/100</u>	
	\$462,983.86	\$493,925.07	\$30,941.21
Increased water cost		\$ 30,941.21	
Increased water cost		\$ 30,941.21	
Divided by gallons sold/1,000		<u>94,575,249</u>	
Purchased water adjustment factor		\$ 0.3272 per 1,000 Gallons	
		or \$ 0.33 per 1,000 Gallons	

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<sup>1</sup> Application at 2; gallons purchased 124,785,848 / 7.48 = 16,682,600 cubic feet purchased.

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00185 DATED JUL 15 2022

The following rates and charges are prescribed for the customers in the area served by Kirksville Water Association. 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	\$ 21.11 Minimum Bill
Next	3,000 Gallons	0.01020 per gallon
Next	5,000 Gallons	0.00873 per gallon
Over	10,000 Gallons	0.00751 per gallon

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