

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF PEAKS MILL WATER)	2024-00102
DISTRICT)	

ORDER

On April 11, 2024, Peaks Mill Water District (Peaks Mill District) applied for approval to adjust its rates pursuant to the purchased water adjustment (PWA) procedure set forth in KRS 278.015 and 807 KAR 5:068.

LEGAL STANDARD

In accordance with KRS 278.015, when a wholesale supplier selling water to a water district increases its rates, the water district has the authority to increase its rate commensurate with the wholesale supplier. The water district must file, within the statutory and regulatory deadlines, 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

Peaks Mill District purchases water from Kentucky-American Water Company (Kentucky-American) and Frankfort Electric & Water Plant Board (Frankfort). Kentucky-American notified Peaks Mill District that its wholesale rate would increase from \$4.2360 per 1,000 gallons to \$5.7566 per 1,000 gallons,(or \$0.0057566 per gallon), effective

February 6, 2024, subject to refund.¹ However, Kentucky-American's proposed rates in Case No. 2023-00191 were denied by the Commission.² The Commission approved new rates for Kentucky-American, which are lower than the proposed rates, so Commission Staff applied the approved Sales for Resale rate of \$0.0046912 per gallon³ to the calculation of the factor for Peaks Mill District's purchased water adjustment as shown in Appendix A.

Peaks Mill District proposed to increase the water rates to its customers effective April 15, 2024, to reflect the increased cost of purchased water from Kentucky-American.

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 2022 Annual Report filed with the Commission, Peaks Mill District reported a water loss of 28.1063 percent.⁴ Peaks Mill District's application provides updated purchase and sales information for the period of March 2023 through February 2024. Based upon the updated information in the application and the percentage of other

¹ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions* (Ky. PSC Feb. 9, 2024), Order; Kentucky-American's Notice of Intent to Implement Rates (Ky. PSC Feb. 5, 2024).

² Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions* (Ky. PSC May 3, 2024), final Order at 74.

³ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions* (Ky. PSC May 3, 2024), final Order, Appendix B at 1.

⁴ *Annual Report of Peaks Mill District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

water consumed by the utility in its 2022 Annual Report, Peaks Mill District's unaccounted-for water loss is 21.80 percent for the updated period.⁵ Reduction of Peaks Mill District's unaccounted-for water loss to 15 percent would result in an approximate \$19,261.33 decrease to purchased water expense.⁶ Potentially, Peaks Mill District is paying approximately \$0.33 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁷ The cost of Peaks Mill District's total water loss is \$61,749.55.⁸

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Peaks Mill District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Peaks Mill District 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, Peaks Mill District submitted an application for an alternative rate adjustment on December 6, 2023, in Case No. 2023-

⁵ Total Purchases (application PWA Form 1 at 2)	93,392,665
Less Total Sales (application PWA Form 1 at 2)	57,587,900
Less Plant Use (percentage determined from 2022 Annual Report)	15,444,065
Water Loss – Gallons	20,360,700
Water Loss – Percent	21.80%

⁶ Water loss above 15% is 6.8%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$283,254.82 x water loss above 15%) equals \$19,261.33.

⁷ Potential purchased water expense reduction divided by sales (\$19,261.33/ (57,587,900/1,000)) equals \$0.33 per 1,000 gallons.

⁸ Total water cost at new wholesale rate of \$283,254.82 x 21.80% water loss equals \$61,749.55.

00401,⁹ which is currently pending before the Commission.¹⁰ Due to the pending case, a financial review of Peaks Mill District was not undertaken as part of this case.

Purchased Water Adjustment Factor

In its application, Peaks Mill District proposed a purchased water adjustment factor of \$0.5562 per 1,000 gallons,¹¹ based on the proposed rates of its supplier being put into effect ahead of the final Order in Case No. 2023-00191. On May 3, 2024, the Commission denied the proposed rates in Case No. 2023-00191, and issued a final Order with approved rates, as discussed above.¹² During the 12 months ended February 29, 2024, Peaks Mill District purchased 21,064,600 gallons of water from Kentucky-American and 72,328,065 gallons of water from Frankfort and sold 57,587,900 gallons of water to its customers. The increase in the cost of purchased water from Kentucky-American is \$9,588.60, resulting in a purchased water adjustment factor of \$0.1665 per 1,000 gallons. No rate changes occurred from Frankfort.

The purchased water adjustment factor of \$0.1665 per 1,000 gallons, as calculated in Appendix A and 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 Peaks Mill District on and after April 15, 2024, because the rates are supported by evidence of the increase in

⁹ Case No. 2023-00401, *Electronic Application of Peaks Mill Water District for a Rate Adjustment Pursuant 807 KAR 5:076* (filed Dec. 6, 2023), Application.

¹⁰ Case No. 2023-00401, Dec. 6, 2023 Application.

¹¹ Application, Exhibit B.

¹² Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions* (Ky. PSC May 3, 2024), final Order, Appendix B at 1.

rates from Peaks Mill District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.1665 per 1,000 gallons is approved.
2. The rates proposed by Peaks Mill District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Peaks Mill District on and after April 15, 2024.
4. Within 20 days of the date of service of this Order, Peaks Mill District 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.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
MAY 08 2024 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00102 DATED MAY 08 2024

	Base Rate	New Rate	Change
<u>Kentucky-American</u>			
Purchases in Gallons	21,064,600	21,064,600	
Rate per 1,000 Gallons	<u>\$4.2360/1,000</u>	<u>\$4.6912/1,000</u>	
Subtotal	\$89,229.65	\$98,818.25	\$9,588.60
 <u>Frankfort</u>			
Purchases in Gallons	72,328,065	72,328,065	
Rate per 1,000 Gallons	<u>\$2.55/1,000</u>	<u>\$2.55/1,000</u>	
Subtotal	\$184,436.57	\$184,436.57	\$0.00
 Total Purchases	 \$273,666.22	 \$283,254.82	
 Increased water cost			 \$9,588.60
 Increased water cost		\$9,588.60	
Divided by Gallons sold/1,000		<u>57,587,900</u>	
Purchased water adjustment factor		\$0.1665	per 1,000 Gallons
		or \$ 0.0001665	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00102 DATED MAY 08 2024

The following rates and charges are prescribed for the customers in the area served by Peaks Mill Water District. 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

All Meters

First	2,000 Gallons	28.66	Minimum Bill
Next	3,000 Gallons	0.01002	Per Gallon
Next	5,000 Gallons	0.00880	Per Gallon
Over	10,000 Gallons	0.00758	Per Gallon

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