

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF EAST LOGAN WATER	)	2020-00220
DISTRICT, INC.	)	

ORDER

On July 7, 2020, East Logan Water District, Inc. (East Logan District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup>

The Commission notes that in East Logan District's 2019 Annual Report a water loss of 29.1766 percent was reported.<sup>2</sup> East Logan District's application provides updated purchase and sales information for a more current period than the 2019 Annual Report. Commission regulation 807 KAR 5:066(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. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2019 Annual Report,<sup>3</sup> East Logan District's unaccounted-for water loss is

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<sup>1</sup> KRS 278.015; 807 KAR 5:068.

<sup>2</sup> 2019 Annual Report at 57.

<sup>3</sup> 2019 Annual Report, Water Statistics (Ref Page: 57), line 22, divided by line 4, (1,262 divided by 276,842) equals 0.46 percent.

determined to be 29.4662 percent for the updated period.<sup>4</sup> Reduction of East Logan District’s unaccounted-for water loss to 15 percent would result in an approximate \$137,406.60<sup>5</sup> decrease to the purchased water expense. Potentially, East Logan District is paying approximately \$0.69 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent<sup>6</sup> threshold.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages East Logan District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by East Logan District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

On July 16, 2020, East Logan District filed a motion to deviate from a portion of the requirements of 807 KAR 5:068, Section 2(2). East Logan District requested a deviation from the requirement to apply the purchased water factor found in 807 KAR 5:068, Section 3(1), to East Logan District’s leak adjustment rate. As grounds for its motion, East Logan District states that 807 KAR 5:068, Section 2(2), requires that the purchased water factor should be applied “on a per unit basis regardless of customer classification,” and further states that it has a leak adjustment rate that is set at the same rate as its

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<sup>4</sup> Total Purchases (application PWA Form 1 at 2)	285,239,000
Less Total Sales (application PWA Form 1 at 2)	199,889,600
Less plant use (% determined from 2018 Annual Report)	<u>1,300,278</u>
Water loss - gallons	84,049,122
Water loss - percent	29.4662

<sup>5</sup> Water loss above 15 percent is 14.4662 percent, potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$949,845.87 X .144662 = \$137,406.60.

<sup>6</sup> Potential purchased water expense reduction divided by sales (\$137,406.60/(199,889,600/1,000) equals \$0.69/1,000.

supplier's rate and changes according to the supplier's rates.<sup>7</sup> East Logan District asserts that the leak adjustment rate is not a "separate customer classification" for the purposes of 807 KAR 5:068 Section 2(2), and the rate should be decreased according to the decrease in its supplier's rate.

East Logan District asserts that if the purchased water factor in 807 KAR 5:068, Section 3, is applied to the leak adjustment, it would result in the leak adjustment rate being lower than the rate that it pays its wholesale supplier. East Logan District requests that if the Commission determines that the leak adjustment is a "separate customer classification" for the purposes of 807 KAR 5:068, Section 2(2), that the Commission grant a deviation from applying 807 KAR 5:068, Section 2(2), to the leak adjustment.

It appears to the Commission that the leak adjustment rate is not a separate customer classification, as it only applies in limited circumstances, and applies to all customer classes, regardless of the customer class. Therefore, we find that 807 KAR 5:068, Section 2(2), is not applicable to the leak adjustment rate and that no deviation is necessary. We further note that 807 KAR 5:068 Section 2(2) only applies if that utility had previously utilized 807 KAR 5:068 to revise its rates. Commission records indicate that East Logan has not used 807 KAR 5:068 to adjust its leak adjustment rate in the past, therefore 807 KAR 5:068, Section 2(2), is not applicable to the leak adjustment rate. For these reasons, the Commission finds that East Logan District's motion to deviate from 807 KAR 5:068, Section 2(2), should be denied.

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

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<sup>7</sup> Tariff of East Logan District P.S.C. KY NO. 2, Sheet No. 4; Tariff of East Logan District P.S.C. KY NO. 1, Sheet No. 37.

1. East Logan District purchases water from the Logan/Todd Regional Water Commission (Logan/Todd).

2. Logan/Todd notified East Logan District that its wholesale rate would decrease from \$3.91 per 1,000 gallons to \$3.33 per 1,000 gallons, effective April 1, 2020. East Logan District proposes to decrease the water rates to its customers effective August 1, 2020, to reflect the decreased cost of purchased water from Logan/Todd.

3. East Logan District proposed a purchased water adjustment factor of (\$0.83) per 1,000 gallons in its application.

4. During the 12 months ended April 30, 2020, East Logan District purchased 285,239,000 gallons of water from Logan/Todd. During the same period, East Logan District sold 199,889,600 gallons of water. The decrease in the cost of purchased water is (\$165,438.62), resulting in a purchased water adjustment factor of (\$0.82) per 1,000 gallons.

5. East Logan District's proposed purchased water adjustment factor of (\$0.83) per 1,000 gallons should be denied.

6. The purchased water adjustment factor of (\$0.82) per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

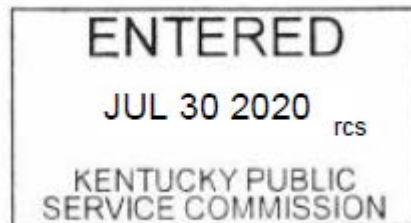
7. East Logan District's proposed rates should be denied.

8. 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 East Logan District on and after August 1, 2020.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of (\$0.82) per 1,000 gallons is approved.
2. The rates proposed by East Logan District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by East Logan District on and after August 1, 2020.
4. East Logan District's motion to deviate from 807 KAR 5:068, Section 2(2), is denied.
5. Within 20 days of the date of entry of this Order, East Logan District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
6. This proceeding is to remain open to allow further Commission action addressing East Logan District's almost 50 percent increase in unaccounted-for water loss since 2015.

By the Commission



ATTEST:

  
Acting Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2020-00220 DATED JUL 30 2020

	New Rate	Base Rate
Logan/Todd		
Purchases in gallons	285,239,000	285,239,000
Wholesale rate	<u>\$3.33/1,000</u>	<u>\$3.91/1,000</u>
	\$949,845.87	\$1,115,284.49
Decreased water cost		(\$165,438.62)
Decreased water cost		(\$165,438.62)
Divided by Gallons sold/1,000		<u>199,889,600</u>
Purchased water adjustment factor		(\$ 0.8276) per 1,000 Gallons
		or (\$ 0.82) per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2020-00220 DATED JUL 30 2020

The following rates and charges are prescribed for the customers in the area served by East Logan Water District, 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 Water Rates

5/8- X 3/4-Inch Meter

First 2,000 Gallons	\$21.67 Minimum Bill
Next 2,000 Gallons	10.28 Per 1,000 Gallons
Next 2,000 Gallons	9.85 Per 1,000 Gallons
Next 4,000 Gallons	8.63 Per 1,000 Gallons
Over 10,000 Gallons	6.23 Per 1,000 Gallons

1-Inch Meter

First 4,000 Gallons	\$42.23 Minimum Bill
Next 2,000 Gallons	9.85 Per 1,000 Gallons
Next 4,000 Gallons	8.63 Per 1,000 Gallons
Over 10,000 Gallons	6.23 Per 1,000 Gallons

1-1/2-Inch Meter

First 6,000 Gallons	\$61.93 Minimum Bill
Next 4,000 Gallons	8.63 Per 1,000 Gallons
Over 10,000 Gallons	6.23 Per 1,000 Gallons

2-Inch Meter

First 10,000 Gallons	\$96.45 Minimum Bill
Over 10,000 Gallons	6.23 Per 1,000 Gallons

3-Inch Meter

First 30,000 Gallons	\$221.05 Minimum Bill
Over 30,000 Gallons	6.23 Per 1,000 Gallons

4-Inch Meter

First 50,000 Gallons	\$345.65 Minimum Bill
Over 50,000 Gallons	6.23 Per 1,000 Gallons



6-Inch Meter

First 100,000 Gallons  
Over 100,000 Gallons

\$657.15 Minimum Bill  
6.23 Per 1,000 Gallons

8-Inch Meter

First 150,000 Gallons  
Over 150,000 Gallons

\$968.65 Minimum Bill  
6.23 Per 1,000 Gallons

Leak Adjustment

\$3.33 Per 1,000 Gallons

\*East Logan Water District, Inc.  
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