

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF LEDBETTER)	2021-00158
WATER DISTRICT)	

ORDER

On April 5, 2021, Ledbetter Water District (Ledbetter District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹ Ledbetter District was notified by letter dated April 5, 2021, that the application was rejected due to certain deficiencies in the application. On April 6, 2021, Ledbetter District submitted additional information with its response to the deficiency letter, and the application was accepted for filing as of that date. On April 13, 2021, Ledbetter District filed a revised application correcting the purchased water adjustment factor. On April 27, 2021, Ledbetter District submitted water sales and water purchase amounts for a more recent 12-month period in order to be in compliance with 807 KAR 5:068, section 3(3).²

The Commission notes that in Ledbetter District's 2019 Annual Report a water loss of 17.7673 percent was reported.³ Ledbetter District's application provides updated purchases and sales information for a more current period than the 2019 Annual Report.

¹ KRS 278.015; 807 KAR 5:068.

² 807 KAR 5:068 ("Total utility water purchases shall be determined based upon the level of water purchases for a period of twelve (12) consecutive months ending within ninety (90) days immediately prior to the effective date of the utility rate adjustment month period.")

³ *Annual Report of Ledbetter County Water District for the Year Ended December 31, 2019* at 57.

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 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.⁴ Ledbetter District's unaccounted-for water loss is determined to be 24.8524 percent for the updated period.⁵ Reduction of Ledbetter District's unaccounted-for water loss to 15 percent would result in an approximate \$9,609.74⁶ decrease to purchased water expense. Potentially, Ledbetter District is paying \$0.1716 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent⁷ threshold.

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

⁴ *Id.*, line 22 (2,962) divided by line 4 (75,273) equals 3.9350 percent.

⁵ Total Purchases (application PWA Form 1 at 2)	31,675,580
Total Produced (application cover letter)	46,973,000
Less Total Sales (application PWA Form 1 at 2)	56,007,690
Less Plant Use (% determined from 2019 AR)	<u>3,094,822</u>
Water Loss – Gallons	19,546,068
Water Loss – Percent	24.8524%

⁶ Water loss above 15 percent is 9.8524 percent, potential purchased water expensed reduction (Total water cost at new wholesale rate of \$97,560.79 times water loss above 15 percent) = \$9,609.74.

⁷ Potential purchased water expense reduction divided by sales (\$9,609.74/ (56,007,690/1000)) equals \$0.1716 per 1000 gallons.

During the processing of this case, Commission Staff (Staff) was informed that the proposed rates were being charged to customers as of May 23, 2020. Although the Ledbetter District's manager indicated to Staff that a tariff had been filed containing the proposed rates, Staff found that a tariff had not been filed and informed the utility of such. Hence, Staff has included in this order, a request for information, which will allow the Commission to determine whether Ledbetter District was in compliance with 807 KAR 5:068. It is settled law that a utility may not charge a rate that is not contained in its tariff.⁸

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

1. Ledbetter District purchases water from the Crittenden-Livingston Water District (Crittenden-Livingston District).

2. Crittenden-Livingston District notified Ledbetter District that its wholesale rate will increase from \$2.83 per 1,000 gallons to \$3.08 per 1,000 gallons, effective May 23, 2020. Ledbetter District proposes to increase the water rates to its customers effective May 23, 2020, to reflect the increased cost of purchased water from Crittenden-Livingston District.

3. Ledbetter District proposed a purchased water adjustment factor of \$0.15 per 1,000 gallons in its application.

4. During the 12 months ended February 28, 2021, Ledbetter District purchased 31,675,580 gallons of water from Crittenden-Livingston District. During the same period, Ledbetter District sold 56,007,690 gallons of water. The increase in the

⁸ See KRS 278.160. See also *Cincinnati Bell Telephone Co. v. Kentucky Public Service Com'n*, 223 S.W.3d 829, 837 (Ky. App. 2007).

cost of purchased water is \$7,918.90, resulting in a purchased water adjustment factor of \$0.15 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.15 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just and reasonable and should be approved.

6. Ledbetter District's proposed rates are approved.

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 Ledbetter District on and after the date of this Order.

8. Ledbetter District should respond to Staff inquiries in Appendix C no later than May 20, 2021.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.15 per 1,000 gallons is approved.

2. The rates proposed by Ledbetter District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Ledbetter District on and after the date of this Order.

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

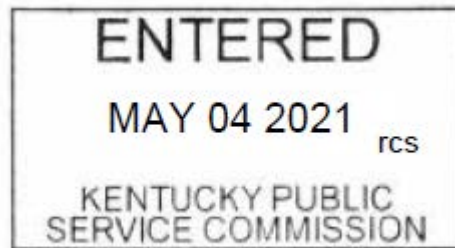
5. Ledbetter District shall respond to Staff inquiries in Appendix C no later than May 20, 2021.

6. Pursuant to the Commission's Orders in Case No. 2020-00085,⁹ issued March 16, 2020, and March 24, 2020, Ledbetter District SHALL NOT FILE the original paper copy of all requested information at this time, but rather shall file original paper copies within 30 days of the lifting of the current state of emergency. All responses in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

7. This case shall remain open to determine whether the rates charged by Ledbetter District are in compliance with 807 KAR 5:068.

⁹ Case No. 2020-00085, Electronic Emergency Docket Related to the Novel Coronavirus COVID-19 (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, Electronic Emergency Docket Related to the Novel Coronavirus COVID-19 (Ky. PSC Mar. 24, 2020), Order at 1–3.

By the Commission



ATTEST:


Executive Director

Case No. 2021-00158

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00158 DATED MAY 04 2021

	Base Rate	New Rate
Crittenden-Livingston Purchases in Gallons	31,675,580	31,675,580
Wholesale rate	<u>\$ 2.83/1,000</u>	<u>\$ 3.08/1,000</u>
	\$ 89,641.89	\$ 97,560.79
Increased water cost	\$7,918.90	
Increased water cost	\$ 7,918.90	
Divided by Gallons sold/1,000	<u>56,007,690</u>	
Purchased water adjustment factor	\$ 0.1414 per 1,000 Gallons	

or \$ 0.15 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00158 DATED MAY 04 2021

The following rates and charges are prescribed for the customers in the area served by Ledbetter 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

Customer Charge		\$7.74 Minimum Bill
First	25,000 Gallons	.00698 per gallon
Over	25,000 Gallons	.00482 per gallon

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00158 DATED MAY 04 2021

1. Explain when the supplier, Crittenden-Livingston District, put new rates into effect for Ledbetter District and the amount of the increase.
2. Refer to the public notice in the Application, page 14. Explain whether a purchase water adjustment or tariff, or both, was filed with the Public Service Commission in May 2020.
3. Refer to the Application, Exhibit A.
 - a. Explain whether Ledbetter District is charging customers the rates filed in the current tariff, dated May 23, 2019. If not, explain what rates are being charged to customers.
 - b. Explain the date or dates that customers were charged a rate other than contained in the the current tariff.
4. Explain whether Ledbetter District will be filing a future purchase water adjustment in 2021.

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