

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF BEECH GROVE	)	2024-00126
WATER SYSTEM, INC.	)	

ORDER

On May 1, 2024, Beech Grove Water System, Inc. (Beech Grove 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, 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

Beech Grove Water purchases water from Henderson Water Utility (Henderson) and Daviess County Water District (Daviess District). Henderson notified Beech Grove Water that its wholesale rate would decrease from \$3.358 per 1,000 gallons to \$3.18 per

1,000 gallons, effective April 1, 2024.<sup>1</sup> Daviess District proposed no changes. Beech Grove Water proposed to decrease the water rates to its customers effective May 1, 2024, to reflect the reduced cost of purchased water from Henderson.

### 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, Beech Grove Water reported a water loss of 17.2894 percent.<sup>2</sup> Beech Grove Water's application provided updated purchase and sales information for the period of April 2023 through March 2024. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, Beech Grove Water's unaccounted-for water loss is 5.81 percent for the updated period.<sup>3</sup> The cost of Beech Grove Water's total water loss is \$13,282.49.<sup>4</sup>

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<sup>1</sup> TFS2024-00087 (Ky. PSC February 29, 2024); Henderson submitted the tariff on February 29, 2024, and the tariff was accepted for filing by the Commission by letter dated March 28, 2024, with an effective date of April 1, 2024.

<sup>2</sup> *Annual Report of Beech Grove Water System, Inc. to the Public Service Commission for the Year Ended December 31, 2022* at 57.

<sup>3</sup> Total Purchases (application PWA Form 1 at 2)	70,439,579 Gallons
Less Total Sales (application PWA Form 1 at 2)	65,685,000 Gallons
Less Plant Use (% determined from 2022 Annual Report)	661,850 Gallons
Water Loss – Gallons	4,092,729 Gallons
Water Loss – Percent	5.81%

<sup>4</sup> Total water cost at new wholesale rate of \$228,614.23 x 5.81% water loss equals \$13,282.49.

In Beech Grove Water's recent rate case,<sup>5</sup> the Commission approved a monthly water loss reduction surcharge of \$6.30 per customer for 48 months or until approximately \$177,304 has been collected, to help lower system losses to more acceptable levels.<sup>6</sup>

#### Financial Condition and Rates

Based on a review of Commission records, Beech Grove Water's most recent general base rate adjustment was in 2022.<sup>7</sup> Beech Grove Water increased its required revenue by \$24,853, or a 5.68 percent increase.<sup>8</sup> Given Beech Grove Water's recent increase, the Commission finds that Beech Grove Water should regularly monitor its operating performance and consider filing an alternative rate case every three years unless operating performance indicates that a more frequent filing is warranted.

#### Purchased Water Adjustment Factor

In its application, Beech Grove Water proposed a purchased water adjustment factor of (\$0.18) per 1,000 gallons.<sup>9</sup> During the 12 months ended March 2024, Beech Grove Water purchased 65,776,579 gallons of water from Henderson and 4,663,000 gallons of water from Daviess District and sold 65,685,000 gallons of water to its customers. The decrease in the cost of purchased water from Henderson is \$11,708, resulting in a purchased water adjustment factor of (\$0.18) per 1,000 gallons. No rate changes occurred from Daviess District.

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<sup>5</sup> Case No. 2022-00054, *Electronic Application of Beech Grove Water System, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 27, 2022), final Order.

<sup>6</sup> Case No. 2022-00054, Sept. 27, 2022 final Order at 22.

<sup>7</sup> Case No. 2022-00054, Sept. 27, 2022 final Order.

<sup>8</sup> Case No. 2022-00054, Sept. 27, 2022 final Order at 13.

<sup>9</sup> Purchased Water Adjustment Application (filed May 1, 2024) at 2.

The purchased water adjustment factor of (\$0.18) 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 Beech Grove Water on and after May 1, 2024, because the rates are supported by evidence of the decrease in rates from Beech Grove 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 (\$0.18) per 1,000 gallons is approved.
2. The rates proposed by Beech Grove Water are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Beech Grove Water on and after May 1, 2024.
4. Within 20 days of the date of service of this Order, Beech Grove 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.

PUBLIC SERVICE COMMISSION

  
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Chairman

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

  
\_\_\_\_\_  
Commissioner



ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00126 DATED MAY 30 2024

	Base Rate	New Rate	Change
<u>City of Henderson</u>			
Purchases in Gallons	65,776,579	65,776,579	
Rate per 1,000 Gallons	<u>\$3.358/1,000</u>	<u>\$3.18/1,000</u>	
Subtotal	\$220,877.75	\$209,169.52	(\$11,708.23)
<u>Daviess County Water</u>			
Purchases in Gallons	4,663,000	4,663,000	
Rate per 1,000 Gallons	<u>\$4.17/1,000</u>	<u>\$4.17/1,000</u>	
Subtotal	\$19,444.71	\$19,444.71	\$0.00
Total Water Cost	\$240,322.46	\$228,614.23	
Increased water cost			(\$11,708.23)
Increased water cost		(\$11,708.23)	
Divided by Gallons sold/1,000		<u>65,685,000</u>	
Purchased water adjustment factor		(\$0.18) per 1,000 Gallons	
		or	
		(\$0.00018) per Gallon	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00126 DATED MAY 30 2024

The following rates and charges are prescribed for the customers in the area served by Beech Grove Water System, 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

Effective for service rendered on and after May 1, 2024

First	2,000 Gallons	19.75	Minimum Bill
Next	98,000 Gallons	0.00652	Per Gallon
Over	100,000 Gallons	0.00556	Per Gallon
Bulk Loading Station		0.25	Per 35 Gallons

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