

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT)
FILING FOR JUDY WATER) CASE NO. 2011-00002
ASSOCIATION)

ORDER

On January 3, 2011, Judy Water Association (“Judy Water”) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

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

1. Judy Water purchases water from Mount Sterling Water and Sewer Commission (“Mount Sterling”) and the city of North Middletown (“North Middletown”).

2. Effective December 31, 2010, North Middletown decreased its wholesale rate to Judy Water from \$5.54 per 1,000 gallons for the first 70,000 gallons per day and \$5.64 per 1,000 gallons for all usage over 70,000 gallons per day to \$4.73 per 1,000 gallons for the first 70,000 gallons per day and \$4.83 per 1,000 gallons for all usage over 70,000 gallons per day.

3. North Middletown’s wholesale rate consists of two steps: the first 70,000 gallons purchased per day (25,550,000 gallons purchased annually) and purchases in excess of 70,000 gallons per day (25,550,000 gallons annually).²

¹ KRS 278.015; 807 KAR 5:068.

² 70,000 gallons/day x 365 days = 25,550,000 gallons.

4. In its application, Judy Water calculated the purchased water adjustment factor using 2,000,000 gallons of water per month (24,000,000 gallons annually) as the first step and all purchases over 2,000,000 gallons per month (24,000,000 gallons annually) as the second step.³ While Judy Water's method of calculating the purchased water adjustment factor did not accurately reflect North Middletown's rate design, it did not materially affect the purchased water adjustment factor or produce an incorrect schedule of rates.

5. Judy Water proposed a purchased water adjustment factor of (\$0.26) per 1,000 gallons.

6. Judy Water proposed to decrease the rates to its customers effective December 31, 2010.

7. During the 12 months ending October 31, 2010, Judy Water purchased 109,730,900 gallons of water from Mount Sterling and 44,062,000 gallons of water from North Middletown and sold 137,979,400 gallons of water. Applying North Middletown's reduction in rates to these quantities results in a decrease in the cost of purchased water of \$35,690.22 and a purchased water adjustment factor of (\$0.26) per 1,000 gallons.

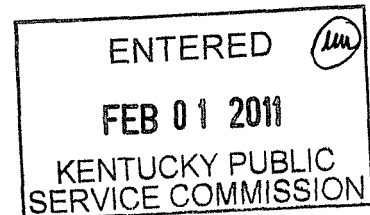
8. The purchased water adjustment factor of (\$0.26) per 1,000 gallons is fair, just, and reasonable and should be approved.

³ Judy used the same method to calculate its previous purchase water adjustment. Case No. 2010-00428, *Purchased Water Adjustment Filing of Judy Water Association* (Ky. PSC Nov. 30, 2010). Its use of this methodology did not produce a material difference in its retail rates.

IT IS THEREFORE ORDERED that:

1. Judy Water's proposed rates are approved for service rendered on and after December 31, 2010.
2. When applying for future purchased water adjustments, Judy Water shall use 25,550,000 gallons of water for the annual amount of water usage as the first rate step for purchases from North Middletown and all purchases over 25,550,000 gallons for annual water purchases as the second rate step.
3. The purchased water adjustment factor of (\$0.26) per 1,000 gallons as calculated in Appendix A is approved.
4. The rates in Appendix B are approved for service rendered on or after December 31, 2010.
5. The tariff sheets filed in the application are accepted as filed.

By the Commission



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2011-00002 DATED FEB 01 2011

	New Rate	Base Rate
Mount Sterling	No Change	No Change
North Middletown (First Step)		
Purchases in Gallons	25,550,000	25,550,000
Volumetric Rate	<u>\$ 4.73/1,000</u>	<u>\$ 5.54/1,000</u>
	\$120,851.50	\$141,547.00
North Middletown (Second Step)		
Purchases In Gallons	18,512,000	18,512,000
Volumetric rate	<u>\$4.83 /1,000</u>	<u>\$ 5.64/1,000</u>
	\$ 89,412.96	\$104,407.68
Increase in First Step Purchases	(\$ 20,695.50)	
Increase in Second Step Purchases	<u>(14,994.72)</u>	
Total Increase in Water Cost	(\$ 35,690.22)	
Total Increased Water Cost	(\$ 35,690.22)	
Divided By Gallons Sold	<u>137,979,400</u>	
Purchased Water Adjustment Factor	(\$ 0.26) per 1,000 gallons	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2011-00002 DATED FEB 01 2011

The following rates and charges are prescribed for the customers in the area served by Judy 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	1,000 gallons	\$12.28	Minimum Bill
Next	4,000 gallons	7.91	per 1,000 gallons
Next	5,000 gallons	7.01	per 1,000 gallons
Over	10,000 gallons	6.11	per 1,000 gallons
Bourbon County Water Line Extension Customers		\$29.05	Minimum Bill

Billy Fawns
Judy Water Association, Inc.
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