

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

\* \* \* \* \*

In the Matter of:

PURCHASED WATER ADJUSTMENT )  
OF LAKE VILLAGE WATER ) CASE NO. 9416  
ASSOCIATION )

O R D E R

On September 9, 1985, Lake Village Water Association ("Lake Village") filed an application with the Public Service Commission ("Commission") seeking approval of its purchased water adjustment clause and authority to adjust its rates in accordance with that clause.

On September 23, 1985, the Commission requested that additional information be filed. The required information was filed on September 25, 1985, along with an Amended Notice correcting an error in its initial filing relating to the total gallons of water purchased during the 12-month test period. The record is now complete.

The Commission, having reviewed the evidence of record and being advised, is of the opinion and finds:

1. The purchased water adjustment clause filed by Lake Village is not in compliance with 807 KAR 5:067, Purchased Water Adjustment Clause, in that certain provisions differ from those set forth in the regulation. The proposed purchased water adjustment clause should, therefore, be denied.

2. The purchased water adjustment clause in Appendix B is in compliance with 807 KAR 5:067, is in the best interest of Lake Village and its customers, and should be approved.

3. Lake Village currently purchases its total water supply from the City of Danville ("Danville"). Lake Village is attempting to obtain an additional source of supply through the City of Harrodsburg ("Harrodsburg") and has included it as a supplier in its proposed tariff; however, at this time, no agreement has been reached nor is water actually being purchased from Harrodsburg. The Commission is of the opinion that Harrodsburg should not be shown in the tariff as a wholesale supplier until such time as a formal agreement is entered into for water purchases from Harrodsburg. At that time, a revised tariff sheet should be filed by Lake Village showing Harrodsburg as a wholesale supplier and the then effective rates charged by Harrodsburg as its base rates.

4. Danville bills its wholesale customers on a declining block rate schedule. Pursuant to Ordinance No. 1147, effective August 1, 1985, Danville increased its basic wholesale rates by approximately \$.37 per 1,000 gallons. In addition, the water purchase contract between Lake Village and Danville provides for a surcharge to be applied to the total water bill of all wholesale customers outside the city limits of Danville. The surcharge to be applied to Lake Village's bills was reduced from 30 percent to 20 percent.

The water purchase contract also limits Lake Village's purchases to 9,000,000 gallons of water per month. Water purchased in excess of 9,000,000 gallons per month is subject to a 50 percent penalty applied to the sum of the basic cost of the excess purchases and the surcharge applicable to the cost of the excess.

5. The statements of water purchased and sold filed by Lake Village for the 12-month period ending July 31, 1985, show that its water loss is approximately 45 percent which is in excess of the 15 percent maximum allowed by the Commission.

6. After adjustment for water loss in excess of 15 percent, the total allowable increase in purchased water costs, including the applicable surcharge and penalty, is \$39,466 resulting in a purchased water adjustment of \$.45 per 1,000 gallons.

7. The financial exhibits filed by Lake Village indicate that it cannot absorb any portion of the increased cost of purchased water.

8. The rates proposed by Lake Village are unfair, unjust, and unreasonable in that the calculations of the allowable increase and the application of the purchased water adjustment to its rates are not in compliance with 807 KAR 5:067. The proposed rates should, therefore, be denied.

9. The purchased water adjustment in the amount of \$.45 per 1,000 gallons and the rates in Appendix A are fair, just, and reasonable and should be approved.

10. Lake Village currently has pending before the Commission Case No. 9290, The Notice by Lake Village Water Association, Inc., requesting approval of a general rate adjustment, imposition of a special rule, a certificate of convenience and necessity and financing for construction, and inclusion in the demonstration project to define excessive water loss.

11. Lake Village should amend its filings in Case 9290 to reflect the rates granted herein and the effect of those rates.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment clause filed by Lake Village be and it hereby is denied.

2. The purchased water adjustment clause in Appendix B be and it hereby is approved effective on and after the date of this Order.

3. The rates proposed by Lake Village be and they hereby are denied upon application of 807 KAR 5:067 and KRS 278.030.

4. The purchased water adjustment in the amount of \$.45 per 1,000 gallons and the rates in Appendix A be and they hereby are approved for services rendered on and after the date of this Order.

5. For purposes of future application of the purchased water adjustment clause of Lake Village, the base rate shall be:

<u>Supplier</u>		<u>Monthly Rates</u>
City of Danville	First 20,000 c.f.	\$1.40 per 100 c.f.
	Next 80,000 c.f.	1.12 per 100 c.f.
	Next 100,000 c.f.	.87 per 100 c.f.
	Next 300,000 c.f.	.80 per 100 c.f.
	Over 500,000 c.f.	.76 per 100 c.f.

Minimum Bill

\$280.00

Surcharge

In addition to the basic water cost, a surcharge of 20 percent will be added to the total water bill.

Penalty

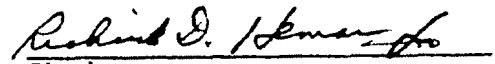
Water purchased in excess of 9,000,000 gallons per month will incur a penalty of 50 percent of the basic cost of such excess.

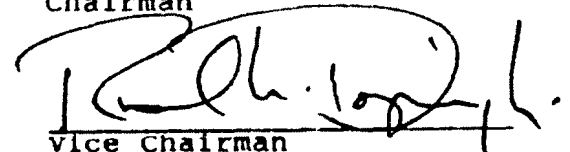
6. Lake Village shall amend its filings in Case No. 9290 to reflect the rates granted herein and the effect of those rates; and

7. Within 30 days of the date of this Order, Lake Village shall file its revised tariff sheets setting out the purchased water adjustment clause and the rates approved herein.

Done at Frankfort, Kentucky, this 4th day of November, 1985.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

\_\_\_\_\_  
Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 9416 DATED 11/4/85

The following rates and charges are prescribed for the customers of Lake Village Water Association. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

<u>USAGE BLOCKS</u>	<u>RATES</u>
First 1,000 gallons	\$ 8.03 Minimum
Next 2,000 gallons	3.38 per 1,000 gallons
Next 2,000 gallons	2.78 per 1,000 gallons
Next 5,000 gallons	2.13 per 1,000 gallons
Over 10,000 gallons	1.83 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE  
COMMISSION IN CASE NO. 9416 DATED 11/4/85

PURCHASED WATER ADJUSTMENT CLAUSE

(1) The rates authorized herein are based upon the wholesale cost of water to the utility pursuant to valid contracts or wholesale tariffs on file with the Commission. For the purposes of this purchased water adjustment clause, the wholesale rate shall be considered as the base rate for purchased water and any increase or decrease in the base rate shall be considered the changed rate. In the event there is a change in the base rate, the utility shall file with the Commission the following information.

(a) A copy of the wholesale supplier's tariff effecting a change in the base rate and a statement from the wholesale supplier evidencing the effective date of the changed rate;

(b) A detailed statement of water purchased under the base rate for a 12-month period ended within 90 days of the filing date and showing billing both under such base rate and under the changed rate;

(c) A detailed statement of water sold for the same 12-month period;

(d) A balance sheet and statement of operating expenses and revenues for the most recent 12-month period for which that information is available;

(e) In the event of an increase only, evidence that the utility has notified its customers of the proposed rate revision;

(f) Revised tariff sheets reflecting the rates the utility proposes to charge; and

(g) Such other information as the Commission may request for a proper determination of the purchased water adjustment.

(2) The utility will not implement its proposed revised rates until the Commission issues an Order authorizing it to do so. If an adjustment is authorized, the supplier's changed rate shall become the supplier's base rate for use in future applications.

(3) If a change is made in a base rate charged to the utility, the unit charges shall be increased or decreased by a purchased water adjustment calculated as follows:

(a) Volume of water purchased for 12-month period ended _____	_____ M Gal.
(b) Cost at new rates	\$ _____
(c) Cost at Base Rate	\$ _____
(d) Total change in cost (Item b minus Item c)	\$ _____
(e) Volume sold for same period as in Item a	_____ M Gal.
(f) PWA per M gallon sold (Item d divided by Item e)	_____ ¢

Note 1: Item a cannot, for this computation table, exceed Item e divided by .85.



In the event a refund is received from the supplier for amounts previously paid, the following tabulations will be made:

- (a) Total refund \$ \_\_\_\_\_
- (b) Total amount of water estimated to be sold during 2 month period beginning with the first day of the month following receipt of the refund \_\_\_\_\_ M. Gal.
- (c) Refund factor per unit of water sold (Item a divided by Item b) \_\_\_\_\_ †
- (d) The refund factor may be adjusted in the final month to more accurately reflect the amount to be refunded.

In the event the utility receives a large or unusual refund, it may apply to the Commission for a deviation from the procedure for distribution of refunds specified herein.

(4) The base rate for purchased water for future application of this Purchased Water Adjustment Clause shall be:

<u>Supplier</u>	<u>Monthly Rate</u>
City of Danville	First 20,000 c.f. \$1.40 per 100 c.f.
	Next 80,000 c.f. 1.12 per 100 c.f.
	Next 100,000 c.f. .87 per 100 c.f.
	Next 300,000 c.f. .80 per 100 c.f.
	Over 500,000 c.f. .76 per 100 c.f.
<u>Minimum Bill</u>	\$ 280.00

Surcharge

In addition to the basic water cost, a surcharge of 20 percent will be added to the total water bill.

Penalty

Water purchased in excess of 9,000,000 gallons per month will incur a penalty of 50 percent of the basic cost of such excess.