

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF)
MUHLENBERG WATER DISTRICT NO. 3) CASE NO. 10488

O R D E R

On January 19, 1989, Muhlenberg County Water District No. 3 ("Muhlenberg No. 3") filed a petition for reconsideration of the Commission's Order of January 6, 1989. Specifically, Muhlenberg No. 3 requested that its rates be adjusted so that the total increase in purchased water costs would be recovered from general customers without any portion being borne by its resale customer, city of Sacramento ("City").

In its memorandum in support of the petition, Muhlenberg No. 3 refers to a rate discrepancy which occurs by comparing its cost of purchased water (\$1.0094/1,000 gallons) to the City's cost of purchased water (\$1.52/1,000 gallons). The Commission finds that this argument is without merit in that Muhlenberg No. 3 has failed to consider the pumping, transmission, distribution, and administrative costs incurred in the delivery of water to the City which are in addition to the purchased water costs. Failure to consider the total costs of delivering water to the City would result in Muhlenberg No. 3's customers subsidizing the City's customers.

In further support of its petition, Muhlenberg No. 3 asserts that the City is a "special" customer and quotes a portion of its contract with the City. The Commission has reviewed Muhlenberg No. 3's contract with the City and finds that the section relied on refers to the cost of extending the distribution system rather than the cost of supplying water. In addition, page 4, Section VIII, of the contract states:

. . . in the event the supply of water to the District increases in cost, that increase shall be passed on to the city of Sacramento. . . ."

Notwithstanding any provisions of Muhlenberg No. 3's contract with the City, 807 KAR 5:068, Section 2(2), provides that the increase in purchased water costs shall be added to all rates on a per unit basis regardless of customer class. The rate prescribed for the City is consistent with both the contract and the regulation.

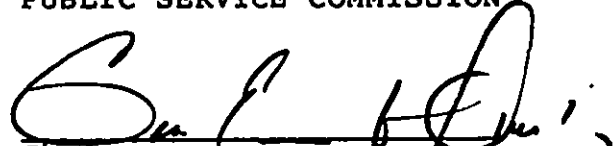
The Commission, having fully considered Muhlenberg No. 3's petition for reconsideration, the contract between Muhlenberg No. 3 and the City, all other evidence of record, and being advised, hereby finds that:


1. Muhlenberg No. 3's petition for reconsideration and rate adjustment should be denied.
2. The Commission's Order of January 6, 1989 should be affirmed in its entirety.

BE IT SO ORDERED.

Done at Frankfort, Kentucky, this 8th day of February, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director