

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF)
HEDGEVILLE WATER ASSOCIATION, INC.) CASE NO. 10497

O R D E R

On December 27, 1988, Hedgeville Water Association, Inc. ("Hedgeville") filed a revised tariff with the Public Service Commission ("Commission") for the purpose of adjusting its rates pursuant to KRS 278.012 and 807 KAR 5:068, Purchased Water Adjustment. The Commission subsequently requested that additional information be filed. The required information was filed on January 10, 1989, and the record is now complete.

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

1. Hedgeville included in its revised tariff a connection fee of \$15.00 and a minimum deposit amount of \$32.10 which are not contained in its filed tariff. The purchased water adjustment is designed for the purpose of providing a mechanism whereby a utility may recover the increased cost of purchased water only. No other increases in costs, new rates or charges, or changes in rate design are to be considered under the purchased water regulation. Hedgeville must request approval of these charges in a separate filing and may not implement such charges until approval is obtained.

2. Hedgeville purchases water from the city of Danville. Danville bills on a declining block rate schedule based on units measured in cubic feet. Hedgeville's rate schedule is based on units measured in gallons.

3. Effective August 14, 1988, Danville increased its rates to Hedgeville by approximately \$.69 per 100 cubic feet or \$.92 per 1,000 gallons of water. Danville subsequently decreased its rates by approximately \$.36 per 100 cubic feet or \$.48 per 1,000 gallons of water. The decrease was effective October 19, 1988.

4. Hedgeville did not adjust the rates to its customers to reflect the higher purchased water costs which were in effect from August 14, 1988 to October 19, 1988. Therefore, the appropriate base rates to be considered herein are those in effect immediately prior to the August 14, 1988 increase.

5. Hedgeville proposed to adjust the rates to its customers effective January 1, 1989.

6. During the 12 months ending September 30, 1988, Hedgeville purchased 40,160,210 gallons of water and sold 31,935,756 gallons.

7. The calculations made by Hedgeville are incorrect in that the procedure in 807 KAR 5:067, Purchased Water Adjustment for Privately-Owned Utilities, was followed rather than 807 KAR 5:068, Purchased Water Adjustment for Water Districts and Water Associations. In addition, Hedgeville did not use the appropriate rate schedules in determining the increase in purchased water costs.

8. The correct increase in purchased water costs is \$9,790, resulting in a purchased water adjustment of \$.31 per 1,000 gallons as shown in Appendix B.

9. The purchased water adjustment of \$.31 per 1,000 gallons and the rates in Appendix A are fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment and rates proposed by Hedgeville are hereby denied.

2. The purchased water adjustment of \$.31 per 1,000 in Appendix B, attached and incorporated hereto, is approved for services rendered on and after January 1, 1989.


3. The rates in Appendix A, attached and incorporated hereto, are approved for services rendered on and after January 1, 1989.

4. Within 30 days of the date of this Order, Hedgeville shall file its revised tariff setting out the rates approved herein.

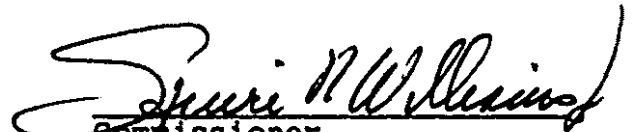
5. Within 30 days of the date of this Order, Hedgeville shall file a copy of the notice to its customers and verification that such notice has been given.

Done at Frankfort, Kentucky, this 24th day of January, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 10497 DATED 1/24/89

The following rates and charges are prescribed for the customers in the area served by Hedgeville Water Association, Inc. 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.

USAGE BLOCKS

First 2,000 gallons
Next 3,000 gallons
Next 10,000 gallons
Next 10,000 gallons
Over 25,000 gallons

MONTHLY RATES

\$11.32 Minimum Bill
4.82 per 1,000 gallons
3.70 per 1,000 gallons
2.58 per 1,000 gallons
1.58 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 10497 DATED 1/24/89

PURCHASED WATER ADJUSTMENT CALCULATIONS

Water Purchased: 40,160,210 gallons or 5,369,012 cubic feet
Water Sold: 31,395,756 gallons or 4,197,294 cubic feet

Cost at Changed Rate:

First 20,000 c.f. x 12 =	240,000 c.f. x	\$1.68/100 c.f. =	\$ 4,032.00
Next 80,000 c.f. x 12 =	960,000 c.f. x	1.35/100 c.f. =	12,960.00
Next 100,000 c.f. x 12 =	1,200,000 c.f. x	1.05/100 c.f. =	12,600.00
Next 300,000 c.f.	= 2,969,012 c.f. x	.96/100 c.f. =	28,502.52
Over 500,000 c.f.	= -0- x	.91/100 c.f. =	-0-
	<u>5,369,012 c.f.</u>		<u>\$58,094.52</u>

LESS

Cost at Base Rate:

First 20,000 c.f. x 12 =	240,000 c.f. x	\$1.40/100 c.f. =	\$ 3,360.00
Next 80,000 c.f. x 12 =	960,000 c.f. x	1.12/100 c.f. =	10,752.00
Next 100,000 c.f. x 12 =	1,200,000 c.f. x	.87/100 c.f. =	10,440.00
Next 300,000 c.f.	= 2,969,012 c.f. x	.80/100 c.f. =	23,752.10
Over 500,000 c.f.	= -0- x	.76/100 c.f. =	-0-
	<u>5,369,012 c.f.</u>		<u>\$48,304.10</u>

Increase: \$9,790.42

\$9,790.42 ÷ 31,395.756 gallons sold = \$.3118 or \$.31/1,000 gallons