

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF)
POWELL'S VALLEY WATER DISTRICT) CASE NO. 96-120

O R D E R

On March 25, 1996, Powell's Valley Water District ("Powell's Valley") submitted its application with the Public Service Commission ("Commission") for the purpose of adjusting its rates pursuant to the purchased water adjustment procedure. KRS 278.015 and 807 KAR 5:068.

On April 15, 1996, the Commission advised Powell's Valley, by letter, of certain deficiencies in its filing. On April 19, 1996, Powell's Valley filed additional information with the Commission. After reviewing the information, the Commission on April 26, 1996 notified Powell's Valley, by letter, that its case now met the minimum filing requirements set by regulations.

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

1. During the 12 months ending March 31, 1996, Powell's Valley purchased water from Clay City Water ("Clay City"), Estill County Water District No. 1 ("Estill County"), City of Stanton ("Stanton"), Beech Fork Water Commission ("Beech Fork") and the Levee Road Water Association ("Levee Road"). Powell's Valley

purchased 88,857,430 gallons of water during this period and sold 72,285,040 gallons. During the test year Powell's Valley began purchasing virtually all of its water from Beech Fork.

2. During the period of April 1995 through July 1995, Powell's Valley purchased 15,335,600 gallons of water from Clay City at a rate of \$1.29 per 1,000 gallons. Since Powell's Valley no longer purchases water from Clay City, these purchases have been added to the adjusted amount that Powell's Valley will purchase from Beech Fork.

3. During the period of April 1995 through December 1995, Powell's Valley purchased 8,949,000 gallons of water from Estill County at a rate of \$1.85 per 1,000 gallons. These purchases have also been added to the adjusted amount that Powell's Valley will purchase from Beech Fork.

4. Powell's Valley purchased 5,187,000 gallons of water at a rate of \$1.33 per 1,000 gallons from Stanton during the period of April 1995 through October 1995. Powell's Valley no longer purchases water from Stanton and 5,187,000 gallons have been added to the adjusted amount that Powell's Valley will purchase from Beech Fork.

5. Powell's Valley purchased 235,830 gallons of water from Levee Road during the test year at a rate of \$3.00 per 1,000 gallons. Powell's Valley stated that Levee Road has increased its wholesale rate from \$3.00 to \$3.33 per 1,000 gallons. The

Commission cannot find documentation that it has approved the rate of \$3.33; therefore, this issue will be further investigated. For the purpose of this case, the increase of \$0.33 per 1,000 gallons increases Powell's Valley's purchased water costs by only \$77.82 annually and does not change the purchased water adjustment granted in this case.

6. During the test year, Powell's Valley purchased 59,150,000 gallons of water from Beech Fork at a rate of \$1.30 per 1,000 gallons. Beech Fork has notified Powell's Valley that effective April 1996, it will increase its wholesale rate by \$0.022 per 1,000 gallons to pass on the Kentucky River Authority ("KRA") assessment fee.

7. Beech Fork additionally backbilled Powell's Valley at a rate of \$0.022 per 1,000 gallons for water sold during the period of August 1995 through March 1996 for the KRA assessment fee. This results in Powell's Valley owing Beech Fork \$1,326.82 for prior service rendered.

8. Based on the decrease in costs that has resulted in Powell's Valley buying most of its water from Beech Fork and taking into consideration the \$0.022 per 1,000 gallon increase from Beech Fork, Powell's Valley purchased water costs will decrease \$2,974.53 which results in a purchased water adjustment decrease of \$0.04 per

1,000 gallons. The calculations which show this adjustment are set out in Appendix B.

9. Based on an average monthly usage of 5,000 gallons, the average bill of Powell's Valley's customers will decrease \$0.20 from \$26.48 to \$26.28, or 1.0 percent.

10. Powell's Valley should be allowed to assess its customers a surcharge of \$0.22 per 1,000 gallons for one month or until \$1,326.82 is collected, which is the amount owed Beech Fork for prior purchases.

11. The purchased water adjustment decrease of \$0.04 per 1,000 gallons, the surcharge of \$0.22 per 1,000 gallons and the rates in Appendix A, attached hereto and incorporated herein, are fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

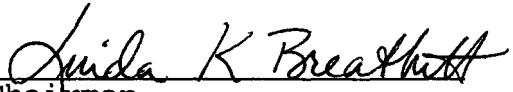
1. The purchased water adjustment decrease of \$0.04 per 1,000 gallons, the surcharge of \$0.22 per 1,000 gallons and the rates in Appendix A are approved for Powell's Valley April billing.

2. Powell's Valley shall assess the surcharge of \$0.22 per 1,000 gallons for one month or until \$1,326.82 is collected, after which time it shall cease to assess the surcharge.

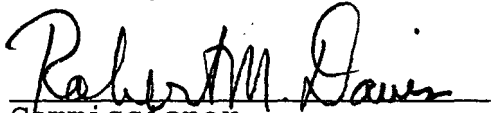
3. Within 30 days of the date of this Order, Powell's Valley shall file revised tariffs setting out the rates approved herein.

Done at Frankfort, Kentucky, this 20th day of May, 1996.

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. 96-120 DATED MAY 20, 1996.

The following rates and charges are prescribed for the customers in the area served by Powell's Valley Water District. 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.

RATES: Monthly

First 2,000 Gallons	\$11.89	Minimum Bill
Next 2,000 Gallons	5.28	per 1,000 gallons
Next 2,000 Gallons	4.03	per 1,000 gallons
Over 6,000 Gallons	4.09	per 1,000 gallons

A surcharge of \$0.22 per 1,000 gallons shall remain in effect for one month or until \$1,326.82 has been collected to pay Beech Fork Water Commission for purchases from August 1995 through March 1996.

APPENDIX B

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 96-120 DATED MAY 20, 1996.

Calculation of Purchased Water Adjustment

TEST YEAR ACTUAL:

<u>Supplier</u>	<u>Gallons Purchased</u>	<u>Rate Per 1,000</u>	<u>Cost</u>
Clay City Water	15,335.600	\$1.29	\$19,782.92
Estill County WD No.1	8,949.000	1.85	16,555.65
City of Stanton	5,187.000	1.33	6,898.71
Beech Fork Water Comm.	59,150.000	1.30	76,895.00
Levee Road Water Assn.	<u>235.830</u>	3.00	<u>707.49</u>
Total Test Year	88,857.430		\$120,839.77

TEST YEAR ADJUSTED:

<u>Supplier</u>	<u>Gallons Purchased</u>	<u>Rate Per 1,000</u>	<u>Cost</u>
Beech Fork Water Comm.	88,621.600	\$1.322	\$117,157.76
Levee Road Water Assn.	<u>235.830</u>	3.00	<u>707.49</u>
Total Adjusted	88,857.430		\$117,865.25

Calculation of Purchased Water Adjustment

Cost at Test Year Actual	\$120,839.77
Cost at Test Year Adjusted	<u>117,865.25</u>
Decrease in Cost	\$2,974.53

\$2,974.53 divided by 72,285.040 gallons sold = \$0.04 purchased water adjustment per 1,000 gallons.

Calculation of Surcharge:

Annual Gallons Sold:	72,285.040
Monthly Gallons Sold:	6,023.750
Amount due Beech Fork:	\$1,326.82

\$1,326.82 divided by 6,023.750 = \$0.22 per 1,000 gallons.