

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT	)	
OF JESSAMINE COUNTY WATER DISTRICT	)	CASE NO. 2008-00543
NO. 1	)	

ORDER

On December 18, 2008, Jessamine County Water District No. 1 ("Jessamine District") applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup>

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that:

1. Jessamine District purchases water from the City of Nicholasville ("Nicholasville").

2. On June 9, 2008 Nicholasville filed a revised tariff sheet with the Commission in which it proposed to increase its wholesale water service rate from \$1.81 per 1,000 gallons to \$1.85 per 1,000 gallons effective June 29, 2008. At the time of its filing with the Commission, Nicholasville also provided notice of the proposed adjustment to its wholesale customers.

3. On June 29, 2008, Nicholasville's proposed wholesale water service rate of \$1.85 per 1,000 gallons became effective.<sup>2</sup>

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<sup>1</sup> KRS 278.015; 807 KAR 5:068.

<sup>2</sup> Case No. 2008-00224, Application of the City of Nicholasville for Acceptance and Expedited Implementation of Adjustments to Its Wholesale Water Service Rate to Reflect Increases in the Withdrawal Fees That the Kentucky River Authority Assesses (Ky. PSC June 23, 2008).

4. On September 3, 2008, Nicholasville filed a revised tariff sheet with the Commission in which it proposed to increase its wholesale water service rate from \$1.85 per 1,000 gallons to \$2.14 per 1,000 gallons effective October 4, 2008. At the time of its filing with the Commission, Nicholasville also provided notice of the proposed adjustment to its wholesale customers.

5. Jessamine District did not request suspension or Commission investigation of either proposed adjustment.

6. As the Commission did not suspend Nicholasville's proposed wholesale water service rate, the proposed adjustment to Nicholasville's wholesale rate became effective October 4, 2008.<sup>3</sup>

7. Between June 9, 2008 and October 3, 2008, Jessamine District made no application to the Commission to adjust its rates pursuant to 807 KAR 5:068 to reflect the increase in its supplier's wholesale rate.

8. On November 24, 2008, Jessamine District applied to the Commission to adjust its rates pursuant to 807 KAR 5:068. In its application, Jessamine District requested an adjustment factor of \$0.35 to reflect the increase in its wholesale supplier's rate from \$1.85 per 1,000 gallons to \$2.14 per 1,000 gallons.

9. On December 22, 2008, the Commission approved the proposed adjustment factor of \$0.35 and granted Jessamine District's application for purchased water adjustment.<sup>4</sup>

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<sup>3</sup> KRS 278.180(1); KRS 278.190.

<sup>4</sup> Case No. 2008-00485, Application of Jessamine County Water District No. 1 For a Purchased Water Adjustment (Ky. PSC Dec. 22, 2008).

10. In its present application, filed on December 18, 2008, Jessamine District proposes a purchased water adjustment factor of \$0.41 to reflect increased purchased water costs related to both increases in its wholesale supplier's wholesale rate.<sup>5</sup>

11. The Commission has promulgated a regulation for adjustment of rates of water districts and water associations to reflect increased purchased water expenses related to increases in the rates of their wholesale water suppliers.<sup>6</sup>

12. This regulation provides that the cost of purchased water will be calculated at the supplier's base rate and the changed rate.<sup>7</sup> Base rate is defined as "[t]he supplier's base rate in effect immediately prior to the most recent increase."<sup>8</sup>

13. In its current application, Jessamine District calculates its purchased water adjustment factor using a base rate of \$1.81 per 1,000 gallons.

14. Nicholasville's base rate in effect immediately prior to its most recent increase was \$1.85 per 1,000 gallons.

15. Commission regulations require the use of a base rate of \$1.85 per 1,000 gallons to calculate any purchased water adjustment.<sup>9</sup>

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<sup>5</sup> Although Jessamine District does not specifically state the rate schedule to which it proposes to apply this proposed purchased water adjustment factor, it appears that it intends to apply this factor to the rates that were in effect on and before December 21, 2008.

<sup>6</sup> 807 KAR 5:068.

<sup>7</sup> 807 KAR 5:068, Section 2(1)

<sup>8</sup> 807 KAR 5:068, Section 1.

<sup>9</sup> 807 KAR 5:068, Section 2(1).


16. Jessamine District's proposed adjustment is contrary to the provisions of 807 KAR 5:068 and should be denied.<sup>10</sup>

IT IS THEREFORE ORDERED that Jessamine District's application for purchased water adjustment and proposed rates are denied.

Done at Frankfort, Kentucky, this 20th day of January, 2009.

By the Commission

ATTEST:

  
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Executive Director

<sup>10</sup> The facts of this case are a cautionary tale to water districts and water associations regarding the need to apply promptly for purchased water adjustments when a wholesale supplier increases its wholesale service rate. Failing to adjust its rates or to apply for the proposed adjustment before the supplier again increases its wholesale rate results in the loss of the right to recover the increased purchased water costs associated with the earlier wholesale rate increase.

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