

# SUIT, McCARTNEY & PRICE, PLLC

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May 19, 2004

RECEIVED

MAY 21 2004

PUBLIC SERVICE  
COMMISSION

Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

Case 2004-00192

RE: Application of Fleming County Water Association, Inc.  
for a pass through of the increased cost of wholesale water  
from three of our five suppliers.

Dear Sir:

Enclosed is an application in regards to the above matter.

The associations last rate increase and tariff is dated  
July 26, 2000. The increases of each of the three  
suppliers has been since July 26, 2000.

The first increase (July 17, 2002) was from Western Fleming  
County Water District increasing the cost from \$1.38 per  
1,000 gallons to \$1.43.

The second letter of increase was from the City of  
Flemingsburg increasing the cost per 1,000 gallons from  
\$1.92 to \$2.21 effective November 1, 2002.

The third and biggest increase was from Rowan Water, Inc.  
by letter dated December 16, 2003 increasing the cost per  
1,000 gallons from \$1.30 to \$1.75 effective February 1,  
2004.

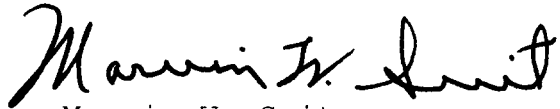
The City of Vanceburg is still \$1.68 per 1,000 gallons and  
the City of Maysville is still \$1.4876.

The Association was able to absorb the smaller increases  
from Western Fleming and the City of Flemingsburg in 2002,

but the .45 increase from Rowan Water pushed them over the  
brink and hence this request for the pass through.

If anything further is needed, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Marvin W. Suit". The signature is written in a cursive style with a large initial 'M' and a long, sweeping tail.

Marvin W. Suit  
MWS/mc

APPLICATION FOR RATE ADJUSTMENT BEFORE THE  
PUBLIC SERVICE COMMISSION OF KENTUCKY  
For Purchased Water Adjustment  
Pursuant of KRS 278.012 and 278.015, 278.030(1), 278.040(3)  
And 807 KAR 5:068

FLEMING COUNTY WATER ASSOCIATION, INC.  
R-2, FLEMINGSBURG BY-PASS SOUTH  
P. O. BOX 327  
FLEMINGSBURG, KY. 41041  
606-845-3981

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**MAY 21 2004**

**PUBLIC SERVICE  
COMMISSION**

Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40601

Case 2004-00192

1. (a) The names of the five wholesale suppliers of water to the association, the base rate and the changed rate of each is as follows:

Supplier	Base Rate	Changed Rate
City of Flemingsburg	\$1.92	\$2.21
Western Fleming County Water Dist.	\$1.38	\$1.43
Rowan Water, Inc.	\$1.30	\$1.75
City of Vanceburg	\$1.68 (No change)	\$1.68
City of Maysville	\$1.4876	\$1.4876

(b) A copy of the supplier's notices of the changed rates showing the effective dates of the increases are attached as Exhibits A, B, C, D, & E. The rates on Exhibits D & E have not changed.

2. The twelve (12) month period used to calculate the purchased water adjustment ends March 31, 2004.

3. The water purchased from each supplier during the preceding 12 months is as follows:

City of Flemingsburg	-	73,358,900 Gallons
Western Fleming Co. Water District	-	52,529,400 Gallons
Rowan Water, Inc.	-	92,383,200 Gallons
City of Vanceburg	-	33,590,000 Gallons
City of Maysville	-	6,249,600 Gallons

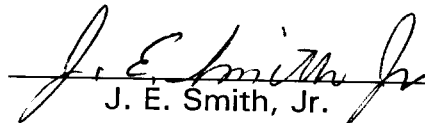
4. Total gallons of water sold during the twelve (12) month test period was 205,794,320 gallons.

5. Purchased Water Adjustment Factor is 32 cents per gallon.

6. A copy of the notice to its members of the proposed rate change is attached hereto as Exhibit F, and is being published in accordance with 807 KAR 5:068, Section 5.

5. Revised tariff sheet(s) showing the rates proposed to be charged by the water association to its members is attached hereto as Exhibit G.

Dated at Flemingsburg, Kentucky this 19th day of May, 2004.

  
\_\_\_\_\_  
J. E. Smith, Jr.  
President, Fleming County Water  
Association, Inc.

PURCHASED WATER ADJUSTMENT FOR  
WATER DISTRICTS AND ASSOCIATIONS  
(807 KAR 5:068)

Fleming County Water Association, Inc.  
\_\_\_\_\_  
(Name of Utility)

May 19, 2004  
\_\_\_\_\_  
(Date)

P.O. Box 327  
\_\_\_\_\_  
(Address)

Flemingsburg, KY 41041  
\_\_\_\_\_  
(City, State)

(606) 845-3981  
\_\_\_\_\_  
(Telephone Number)

**RECEIVED**

**MAY 21 2004**

**PUBLIC SERVICE  
COMMISSION**

Case 2004-00192

- 1.a. Name of all wholesale suppliers and the base (current) rate and changed rate of each. In the event the water purchased is billed by the supplier on a rate that is not a flat rate schedule, the entire rate schedule must be shown. Attach additional sheets if necessary.

<u>Supplier(s)</u>	<u>Base Rate</u>	<u>Changed Rate</u>
<u>City of Flemingsburg</u>	<u>\$1.92</u>	<u>\$2.21</u>
<u>Western Fleming Co. Water District</u>	<u>\$1.38</u>	<u>\$1.43</u>
<u>Rowan Water, Inc.</u>	<u>\$1.30</u>	<u>\$1.75</u>
<u>City of Vanceburg</u>	<u>\$1.68</u>	<u>\$1.68</u>
<u>City of Maysville</u>	<u>\$1.4876</u>	<u>\$1.4876</u>

- 1.b. A copy of the supplier's notice of the changed rate showing the effective date of the increase is attached as Exhibit F.
2. Twelve-month period upon which the purchased water adjustment is based. (This twelve-month period must end within 90 days of this filing).

From April 2003 through March 2004  
 (month and year) (month and year)

3. Statement of water purchases. Where water is purchased from more than one supplier, purchases from each supplier must be shown separately. If water is purchased through a declining block rate schedule, purchases for each month must be shown. Attach an additional sheet if necessary.

Supplier(s)	Gallons Purchased during 12 month period
<u>City of Flemingsburg</u>	<u>73,358,900</u>
<u>Western Fleming Co. Water District</u>	<u>52,529,400</u>
<u>Rowan Water, Inc.</u>	<u>92,383,200</u>
<u>City of Vanceburg</u>	<u>33,590,000</u>
<u>City of Maysville</u>	<u>6,249,600</u>
<b>TOTAL PURCHASES</b>	<u>258,111,100 gallons</u>

4. Total sales for the 12 month period 205,794,320 gallons.

5. Increased water cost \$65,472.91.

The increased water cost is the cost difference between purchases at base (current rate) and purchases at new rate.

6. Purchased water adjustment factor           \$.32          .

The purchased water adjustment factor is obtained by dividing the increased cost of water by the total gallons sold.

Note: The purchased water adjustment factor is added to each thousand gallons sold. If the minimum usage is 2,000 gallons then the purchased water adjustment factor would be added to the minimum bill twice. Revised tariff sheets must be attached showing the rate to be charged by the utility and the effective date of the increased rates.

7. Proposed effective date           July 1, 2004          .

Fleming County Water Association, Inc.

  
\_\_\_\_\_  
(Signature of Utility Officer)

J.E. SMITH, JR.

\_\_\_\_\_  
(Title) PRESIDENT

## NOTICE

The Flemingsburg Utilities System has filed a proposed rate schedule, which will increase by 15% the rate which it currently charges to the Fleming County Water Association for water service. The Flemingsburg Utility System currently charges the Fleming County Water Association \$1.92 per 1,000 gallons for water service. It proposes to charge Fleming County Water Association \$2.21 per 1,000 gallons for water service effective November 1, 2002.

The rates contained in this notice are the rates proposed by the Flemingsburg Utilities System. The Public Service Commission, however, may order rates to be charged that differ from the proposed rates contained in this notice.

Any corporation, association, or person with a substantial interest in the matter may, by written request, within thirty (30) days after publication or mailing of this notice of the proposed rate changes request to intervene. Intervention may be granted beyond the thirty (30) day period for good cause shown.

Any person who has been granted intervention by the Public Service Commission may obtain copies of the rate application and any other filings made by the Flemingsburg Utilities System by contacting Glenn McVey, Flemingsburg Utilities Superintendent, P.O. Box 406, Flemingsburg, KY 41041 at 606-845-2021.

Any person may examine the Flemingsburg Utilities System's rate application and any other filings at its main office at the Flemingsburg Utilities System or at the Public Service Commission's Offices at 730 Schenkel Lane, Frankfort, Kentucky.

Exhibit "A"





**Western Fleming County Water District**  
PO Box 16  
Ewing, KY 41039  
Phone: 606-267-2120 \* Fax 606-267-4423



July 17, 2002

Mr. Eugene Jett  
Fleming County Water Association  
PO Box 327  
Flemingsburg, KY 41041

RE: Phase I Water System Improvements

Dear Mr. Jett:

Recently the Western Fleming County Water District (WFCWD) initiated a number of water system improvements. These improvements allow WFCWD to conform to recently promulgated regulations including the Interim Enhanced Surface Water Treatment Rule and the Stage 1 Disinfectants/Disinfection By-Products Rule.

The WFCWD will soon award contracts for construction of these improvements and construction is expected to start immediately. The total cost of this work is approximately \$1,024,000. Fortunately the WFCWD was able to secure a US Department of Agriculture, Rural Utility Systems (RUS) grant for \$327,000. The remaining project costs will be covered by a RUS loan and WFCWD reserve funds.

This new loan will increase the debt service obligations of the WFCWD. Accordingly it will be necessary to increase water rates in accordance with RUS guidelines. The water rate for the Fleming County Water Association will increase from \$1.38 to \$1.43 per 1,000 gallons purchased. These rates will take effect shortly after execution of the loan.

We are confident the WFCWD will continue to be recognized as a reliable, economical supplier of quality water. If you have any questions please call me at (606) 267-2120.

Respectfully,

A handwritten signature in cursive script that reads "Jerry Neal".

Jerry Neal, Chairman  
Western Fleming County Water District

Exhibit "B"

*ROWAN WATER, INC.*

110 HARGIS AVE MOREHEAD KY.

40351

606-782-2878

606-783-1041 FAX

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*December 16, 2003*

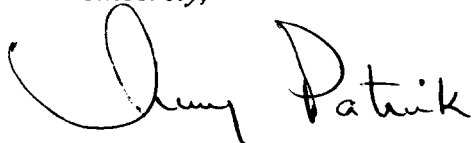
*Dear Friend,*

*The water rate for wholesale customers will increase from the present rate of a \$1.30 per thousand to the new rate \$1.75 effective February 1, 2004.*

*The new rate was approved by the PSC on December 4, 2004. Case No. 2003-00417 has the new rates along with the new rates to all Rowan Water, Inc. customers and will be on file with the PSC.*

*If you have any questions please feel free to give us a call.*

*Sincerely,*



*Jerry Patrick, Manager*

Exhibit "C"

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 9th day of April,  
19 96, between the Vanceburg Utility Commission  
611 Front Street, Vanceburg, KY 41179  
(Address)

hereinafter referred to as the "Seller" and the Fleming County Water Association  
P.O. Box 327, Flemingsburg, KY 41041  
(Address)

hereinafter referred to as the "Purchaser",

WITNESSETH:

Whereas, the Purchaser is organized and established under the provisions of KRS 273 of the  
Code of Kentucky, for the purpose of constructing and operating a water supply distribution  
system serving water users within the area described in plans now on file in the office of the Purchaser and to accomplish  
this purpose, the Purchaser will require a supply of treated water, and

Whereas, the Seller owns and operates a water supply distribution system with a capacity currently capable of serving the  
present customers of the Seller's system and the estimated number of water users to be served by the said Purchaser as shown  
in the plans of the system now on file in the office of the Purchaser, and

Whereas, by Motion No. - enacted on the 9th day  
of April, 19 96, by the Seller, the sale of water to the Purchaser in accordance  
with the provisions of the said Contract was approved, and the execution of this contract  
carrying out the said Motion by the Chairperson  
and attested by the Secretary, was duly authorized, and

Whereas, by Motion of the Board of Directors  
of the Purchaser, enacted on the 24th day of April, 19 96,  
the purchase of water from the Seller in accordance with the terms set forth in the said Motion  
was approved, and the execution of this contract by the President, and  
attested by the Secretary was duly authorized;

Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

1. (Quantity and Quantity) To furnish the Purchaser at the point of delivery hereinafter specified, during the term of  
this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Kentucky Division of Water

in such quantity as may be required by the Purchaser not to exceed 3,000,000 gallons per month.

Exhibit "D"

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at 30 psi (minimum) from an existing six (6) inch main supply at a point located in Stricklett, Ky. on Ky. 344 (approx. 2100± from the intersection of Ky. 344 and Ky. 377) eastern end of Stricklett, Ky.

If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service.

3. (Metering Equipment) To furnish, install, operate, and maintain at its own expense at point of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser and to calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate

shall be corrected for the three (3) months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller

and Purchaser shall agree upon a different amount. The metering equipment shall be read on or about the 21st of ea. month. An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4. (Billing Procedure) To furnish the Purchaser at the above address not later than the 1st day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

**B. The Purchaser Agrees:**

1. (Rates and Payment Date) To pay the Seller, not later than the 15th day of each month, for water delivered in accordance with the following schedule of rates:

a. \$ 1.68 per 1000 gallons, of water delivered.

b. \$ 0.168 cents per 1000 gallons for water in excess of 3,000,000 gallons, as a penalty for over usage and this amount shall be added to the usual charge for water

2. (Connection Fee) To pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of \* dollars which shall cover any and all costs of the Seller for installation of the metering equipment and \*

\* The Purchaser shall pay for install the master meter, the Seller shall own and maintain it after construction.

C. It is further mutually agreed between the Seller and the Purchaser as follows:

1. (Term of Contract) That this contract shall extend for a term of forty-two years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.
2. (Delivery of Water) That thirty days prior to the estimated date of completion of construction of the Purchaser's water supply distribution system, the Purchaser will notify the Seller in writing the date for the initial delivery of water.
3. (Water for Testing) When requested by the Purchaser the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and trench filling the system of the Purchaser during construction, irrespective of whether the metering equipment has been installed at that time, at a flat charge of \$ 1.68 per 1000 which will be paid by the contractor or, on his failure to pay, by the Purchaser.
4. (Failure to Deliver) That the Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.
5. (Modification of Contract) That the provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification at the end of every two (2) year period. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder, but such costs shall not include increased capitalization of the Seller's system. Other provisions of this contract may be modified or altered by mutual agreement.
6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.
7. (Miscellaneous) That the construction of the water supply distribution system by the Purchaser is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture, and the provisions hereof pertaining to the undertakings of the Purchaser are conditioned upon the approval, in writing, of the State Director of the Farmers Home Administration.
8. (Successor to the Purchaser) That in the event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.
9. That during times of water shortages or extended periods of diminished service, the Seller agrees to reduce the supply of water to the Purchaser at the same percent as the Seller reduces water sold to its own customers.

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in five (5) counterparts, each of which shall constitute an original.

Seller:

Vanceburg Utility Commission

By Winnie Chatman

Title Chairperson

Attest:

Dorothy Robinson  
Secretary

Purchaser:

Fleming County Water Association

By J. E. Smith

Title President

Attest:

Wayne Craft  
Secretary

This contract is approved on behalf of the Rural Development ~~Farmers Home Administration~~ this 3<sup>rd</sup> day of May, 19 96.

By Vernon C. Sauer

Title Program Manager C&D

TO: FLEMING COUNTY WATER ASSOCIATION  
PO BOX 327  
FLEMINGSBURG, KY 41041

27 JAN. 1999

**NOTICE**  
**807 KAR 5:10(3)**

Pursuant to City of Maysville Ordinance No. 98C-5 and further pursuant to order of the Public Service Commission and 807 KAR 5, the City of Maysville, Kentucky, hereby gives notice to the Fleming County Water Association and its customers of the City's intent to increase its general water rate 10 percent. Fleming County Water Association water rates will increase from \$1.3283 per thousand gallons to \$1.4876 per thousand gallons. The new rate reflects correction in error on prior billed rate.

All other service charges, penalties, and other provisions under Code of Ordinances Chapter 150 and of all other ordinances related to water, sewer, and fire protection continue in force except to the extent of conflict with the changes noticed hereby.

The rates contained in this Notice are the rates proposed by the City of Maysville, Utility Commission; however, the Public Service Commission may order rates to be changes that differ from the proposed rates contained in this Notice.

Any corporation, association, or person with a substantial interest in the matter may, by written request, within thirty (30) days after publication or mailing of this notice of the proposed rate changes request to intervene; intervention may be granted beyond the thirty (30) day period for good cause shown.

Any person who has been granted intervention by the commission may obtain copies of or examine the rate application and any other filings made by the City of Maysville, Utility Commission by contacting its main office at 216 Bridge Street, Maysville, Kentucky 41056, phone: (606) 564-3531. The rate application and any other filings may also be examined at the office of the Public Service Commission, 731 Schenkel Lane, Frankfort, Kentucky 40602, phone: (502) 564-3940.

The increased rates imposed hereby shall be applicable to Maysville Utility Commission water charges to Fleming County Water Association commencing with a meter reading 15 March 1999, to be reflected on billing to be issued 30 March 1999.

Amounts billed between 1 July 1998 and 1 February 1999 in excess of \$1.3283 per one thousand gallons shall be credited to the Fleming County Water Association.

Exhibit "E"

FLEMING COUNTY WATER ASSOC., INC.

NOTICE OF PROPOSED RATE INCREASE  
DUE TO INCREASED COST OF WHOLESALE WATER

Notice is hereby given by the Fleming County Water Association, Inc. of the filing of their Application with the Public Service Commission, 211 Sower Boulevard, Frankfort, Ky. 40601 for permission to pass through to its members the increased cost of wholesale water which it purchases from the City of Flemingsburg, Western Fleming Water District, Rowan Water, Inc., City of Vanceburg and the City of Maysville in accordance with the rate schedule below.

First	2,000 Gallons-	\$12.51 to \$13.15	Minimum Bill
Next	8,000 Gallons-	5.43 to 5.75	per thousand gallons
Next	40,000 Gallons-	3.73 to 4.05	per thousand gallons
Over	50,000 Gallons-	2.70 to 3.10	per thousand gallons

This notice is given pursuant to 807 KAR 5:068 Sec.5

The rates contained in this notice are the rates proposed by Fleming County Water Association. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for members other than the rates in this notice. At any rate, it is anticipated that the rate increases will become effective on July 1, 2004

J. E. Smith, Jr., President  
Fleming County Water Association, Inc.  
P. O. Box 327  
Flemingsburg, Ky. 41041

Exhibit "F"



Form for filing Rate Schedules

Fleming, Mason and  
 For Lewis, Counties, Ky.  
 Community, Town or City

P.S.C. NO. \_\_\_\_\_

REVISED \_\_\_\_\_ SHEET NO. \_\_\_\_\_

CANCELLING P.S.C. NO. \_\_\_\_\_

REVISED \_\_\_\_\_ SHEET NO. \_\_\_\_\_

FLEMING COUNTY WATER ASSOCIATION, INC.

Name of Issuing Corporation

CLASSIFICATION OF SERVICE

RATE  
 PER UNIT

ALL CUSTOMERS

First	2,000 Gallons	\$13.15 Minimum Bill
Next	8,000 Gallons	5.75 Per 1,000 Gallons
Next	40,000 Gallons	4.05 Pwe 1,000 Gallons
Over	50,000 Gallons	3.10 Per 1,000 Gallons

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE \_\_\_\_\_

ISSUED BY J. E. SMITH, JR. TITLE PRESIDENT  
 Name of Officer

Issued by authority of an Order of the Public Service Commission of Ky. in  
 Case No. \_\_\_\_\_ dated \_\_\_\_\_

Exhibit "G"