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Commissioner

January 12, 2007

CERTIFICATE OF SERVICE

RE: Case No. 2006-00551  
Nebo Water District

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on January 12, 2007.

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Executive Director

BOD/jc  
Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT ) CASE NO.  
OF NEBO WATER DISTRICT ) 2006-00551

O R D E R

On December 15, 2006, Nebo Water District ("Nebo") applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup> Nebo proposes to increase its rates to reflect a recent increase in the rates of its wholesale water supplier.

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

1. Nebo purchases water from the city of Madisonville ("Madisonville").
2. On December 4, 2006, Madisonville notified the Commission that, effective for service rendered on and after January 1, 2007, Madisonville wholesale water service rate to Nebo would increase from \$2.17 to \$2.51 per 1,000 gallons. Pursuant to KRS 278.180, this proposed rate became effective on January 3, 2007.<sup>2</sup>
3. On January 9, 2006, Madisonville notified the Commission that, effective for service rendered on and after February 1, 2006, Madisonville wholesale water

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

<sup>2</sup> KRS 278.180(1) provides that "no change shall be made by any utility in any rate except upon thirty (30) days' notice to the commission, stating plainly the changes proposed to be made and the time when the changed rates will go into effect."

service rate to Nebo would decrease from \$2.19 to \$2.17 per 1,000 gallons. This proposed reduction became effective on February 1, 2006.

4. During the 12 months ending September 30, 2006, Nebo purchased 159,399,000 gallons of water from Madisonville and sold 131,957,000 gallons.

5. Administrative Regulation 807 KAR 5:068, Section 2, required Nebo to reduce its rates to reflect the decrease in Madisonville's wholesale water service rate. The reduction in Madisonville's wholesale water service rate produced an annual decrease of \$3,188 in Nebo's cost of purchased water and a purchased water adjustment of \$0.02 per 1,000 gallons.

6. Nebo overcharged its customers approximately \$2,922 between February 1, 2006 and December 31, 2006 as a result of its failure to comply with Administrative Regulation 807 KAR 5:068, Section 2. To correct for these overcharges, Nebo should reduce each customer's monthly bill by \$0.27 per 1,000 gallons for the billing period from January 3, 2007 to February 2, 2007.

7. Using \$2.17 per 1,000 gallons as the base rate and \$2.51 per 1,000 gallons as the changed rate, the increase in Nebo's cost of purchased water as a result of Madisonville's most recent adjustment in its wholesale water service rate is \$54,196, which results in a purchased water adjustment of \$0.41 per 1,000 gallons.

8. The purchased water adjustment of \$0.41 per 1,000 gallons is fair, just, and reasonable and should be approved.

9. The rates set forth in Appendix A to this Order reflect the increased cost of purchased water due to Madisonville's most recent adjustment in its wholesale water

service rates and a reduction of \$0.27 per 1,000 gallons reduction required to reflect Madisonville's reduction in its wholesale water service rates that was effective in February 2006. These rates should be in effect for one month to permit the refund of overcharges that Nebo assessed from February 1, 2006 to December 31, 2006.

10. The rates set forth in Appendix B to this Order reflect the increased cost of purchased water due to Madisonville's most recent adjustment in its wholesale water service rates. These rates should become effective for service rendered on and after February 3, 2006.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment of \$0.41 per 1,000 gallons is approved for service rendered on and after January 3, 2007.

2. Nebo shall assess the rates in Appendix A to this Order for water service provided from January 3, 2007 to February 2, 2007.

3. Nebo shall assess the rates in Appendix B to this Order for water service provided on and after February 3, 2007.

4. Within 20 days of the date of this Order, Nebo shall file with the Commission revised tariff sheets showing the rates approved herein.

Done at Frankfort, Kentucky, this 12<sup>th</sup> day of January, 2007.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2006-00551 DATED January 12, 2007.

The following rates and charges are prescribed for the customers in the area served by Nebo Water District for service rendered on or after January 3, 2007 and before February 2, 2007. 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.

MONTHLY WATER RATES

First	2,000 Gallons	\$12.64	Minimum Bill
Next	2,000 Gallons	5.82	Per 1,000 Gallons
Next	6,000 Gallons	4.82	Per 1,000 Gallons
Next	10,000 Gallons	4.32	Per 1,000 Gallons
Over	20,000 Gallons	3.82	Per 1,000 Gallons

MINIMUM BILLS

5/8 Inch X 3/4 Inch	\$12.64	First 2,000 Gallons
1 Inch	24.28	First 4,000 Gallons
1-1/2 Inch	53.20	First 10,000 Gallons
2 Inch	96.40	First 20,000 Gallons
3 Inch	134.60	First 30,000 Gallons
4 Inch	211.00	First 50,000 Gallons

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00551 DATED January 12, 2007.

The following rates and charges are prescribed for the customers in the area served by Nebo Water District for service rendered on or after February 3, 2007. 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.

#### MONTHLY WATER RATES

First	2,000 Gallons	\$13.18	Minimum Bill
Next	2,000 Gallons	6.09	Per 1,000 Gallons
Next	6,000 Gallons	5.09	Per 1,000 Gallons
Next	10,000 Gallons	4.59	Per 1,000 Gallons
Over	20,000 Gallons	4.09	Per 1,000 Gallons

#### MINIMUM BILLS

5/8 Inch X 3/4 Inch	\$13.18	First 2,000 Gallons
1 Inch	25.36	First 4,000 Gallons
1-1/2 Inch	55.90	First 10,000 Gallons
2 Inch	101.80	First 20,000 Gallons
3 Inch	142.70	First 30,000 Gallons
4 Inch	224.50	First 50,000 Gallons