



NEBO WATER DISTRICT

P.O. BOX 147
NEBO, KENTUCKY 42441
Phone (270) 249-3709
Fax (270) 249-3714

December 8, 2006

Public Service Commission
P. O. Box 615
Frankfort, KY 40602-0615

RECEIVED

DEC 15 2006

PUBLIC SERVICE
COMMISSION

Dear Sir:

Case No. 2006-00551

Enclosed please find the completed Purchase Water Rate Adjustment application for the Nebo Water District.

Upon your review of this application should there be any questions, please contact Michael Overby (CPA) at his office telephone number 270-667-2251 or his fax number of 270-667-2287.

Sincerely,

Linda Neal

Linda Neal
Nebo Water District Office Manager

Form for filing Rate Schedules

For Hopkins County, Kentucky
Community, Town or City

P.S.C. NO. _____

____ SHEET NO. _____

Canceling PSC No. 2004-00514

Nebo Water District
Name of Issuing Corporation

____ SHEET NO. _____

Minimum Water Rates Based on Size Connections

<u>Size of Water Meter Connections</u>	<u>Number of Gallons or Less of Per Month to be Provided for the Minimum Rate</u>	<u>Minimum monthly Water Rate Per Connection</u>
5/8 inch x 3/4 inch	2,000 gallons	\$13.18
1 inch	4,000 gallons	25.36
1-1/2 inch	10,000 gallons	55.90
2 inch	20,000 gallons	101.80
3 inch	30,000 gallons	142.70
4 inch	50,000 gallons	224.50

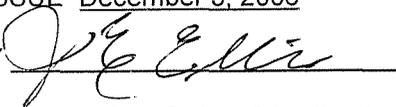
Meter Rates for Water Usage in Addition to Minimum Charge

Subject to the minimum monthly water rate specified above, the following metered charges shall be made for water consumption per month to customers of all size connections:

<u>Number of Gallons of Water per Month</u>	<u>Monthly Charge per 1,000 Gallons</u>
First 2,000 gallons	\$13.18
Next 2,000 gallons	6.09
Next 6,000 gallons	5.09
Nest 10,000 gallons	4.59
All over 20,000 gallons	4.09

DATE OF ISSUE December 5, 2006

DATE EFFECTIVE: January 1, 2007

ISSUED BY 

TITLE Chairman

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. _____ dated _____.

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

NEBO WATER DISTRICT
(Name of Utility)

DECEMBER 5, 2006
(Date)

P O BOX 147
(Address)

NEBO, KY 42441

270-249-3709
(Telephone Number)

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PUBLIC SERVICE
COMMISSION

Case No. 2006-00551

- I.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 MADISONVILLE, KY</u>	<u>\$2.19 per 1,000 gallon</u>	<u>\$2.51 per 1,000 gallon</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 A.

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 OCTOBER 1, 2005 through SEPTEMBER 30, 2006

3. Statement of water purchases. Where water is purchase 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 MADISONVILLE, KY</u>	<u>159,399,000</u>
_____	_____
_____	_____
TOTAL PURCHASES	<u>159,399,000</u>

4. Total sales for the 12 month period 131,957,000.

5. Increased water cost \$51,007.70 (SEE EXHIBIT B).

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

6. Purchased water adjustment factor \$.39 per 1,000 gallons (SEE EXHIBIT B).

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 January 1, 2007.

J. E. Ellis (by L.N.)
(Signature of Utility Officer)

Chairman
(Title)

NEBO WATER DISTRICT
PURCHASED WATER RATE ADJUSTMENT
DATE OF ISSUE: DECEMBER 5, 2006

EXHIBIT B - PURCHASED WATER ADJUSTMENT CALCULATIONS

WATER PURCHASED	159,399,000 gallons
WATER SOLD	131,957,000 gallons

COST AT CHARGED RATE: 159,399,000 x 2.51	\$ 400,091.50
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LESS:

COST AT BASE RATE 159,399,000 X 2.19	<u>349,083.80</u>
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INCREASE IN COST	<u>\$ 51,007.70</u>
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$\$51,007.70/131,957,000 = .000387$ OR .39 PER 1,000 GALLONS



CITY OF MADISONVILLE

Lloyd Merrell
City Administrator

Karen L. Cunningham
Mayor

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PUBLIC SERVICE
COMMISSION

November 30, 2006

Linda Neal
Office Manager
Nebo Water District
PO Box 147
Nebo, KY 42441

Dear Manager:

Attached you will find a letter from Charles A. Kington, CPA advising you of the agreement between the City of Madisonville and the Nebo Water District regarding the Water Purchase Contract and a computation of the new rate that will become effective January 1, 2007.

If you have any questions, please do not hesitate to contact me.

Sincerely,

City of Madisonville

A handwritten signature in black ink that reads "Lloyd Merrell". The signature is written in a cursive style.

Lloyd Merrell
City Administrative Officer/Finance Director



BERRY & KINGTON, PSC
CERTIFIED PUBLIC ACCOUNTANTS

2822 North Main Street
Madisonville, KY 42431
Phone: 270-821-3355
Fax: 270-821-0101
email: cpas@berryandkington.com

November 27, 2006

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PUBLIC SERVICE
COMMISSION

Mr. Lloyd Merrell
City Administrative Officer
City of Madisonville, Kentucky
P.O. Box 705
Madisonville, KY 42431

Dear Lloyd:

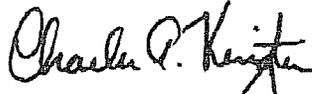
We have prepared the accompanying Cost Review Formulas for revising calendar year wholesale rate charges as per Treated Water Sale and Purchase Agreements with the Nebo Water District.

We prepared the Cost Review Formulas using June 30, 2006 audited financial statements and wholesale user consumption records as provided by the City of Madisonville. We did not audit the wholesale user consumption records during our June 30, 2006 audit due to the fact that such records were outside the scope of the audit.

The wholesale water rate to be charged to the Nebo Water District is \$2.51 per each one thousand gallons of treated water. It is my understanding that the new rate will be charged from January 1, 2007 to December 31, 2007.

We appreciate the opportunity to be of service to the City of Madisonville. Please call if you have any questions regarding these computations.

Very truly yours,


Charles A. Kington, CFA

CITY OF MADISONVILLE, KENTUCKY
WATER RATE ANALYSIS
NEBO WATER DISTRICT
(PER 1,000 GALLONS)

CAPITAL COSTS	Amount	Percentage		Capital Costs Shared	Allocation Percentage	Allocated Capital Costs	Cost Per 1,000 Gallons Of Water
		To Be Shared	Shared				
Source of Supply	\$ 2,002,733.76	100.00		\$ 2,002,733.76	14.8767	\$ 297,940.69	
Water Treatment Plant	8,449,569.49	100.00		8,449,569.49	14.8767	1,257,017.10	
Storage Facilities	1,991,712.78	65.00		1,294,613.31	14.8767	192,595.74	
Transmission and Distribution	6,795,246.18	43.00		2,921,955.86	14.8767	434,690.61	
General	336,300.60	10.00		33,630.06	14.8767	5,003.04	
Customer and Administrative	1,879,182.60	0.10		1,879.18	14.8767	279.56	
Hydrants	262,211.81						
Total	\$ 21,716,957.22			\$ 14,704,381.66		\$ 2,187,526.74	

ALLOCATED CAPITAL COST X 2%
 DIVIDED BY WHOLESAL USER'S
 MOST RECENT ANNUAL BILLED
 GALLONS

\$ 2,187,526.74 X 2 Percent = \$ 43,750.53 X 1/154,644 = \$ 0.28291

ALLOCATED CAPITAL COST X 6%
 DIVIDED BY WHOLESAL USER'S
 MOST RECENT ANNUAL BILLED
 GALLONS

\$ 2,187,526.74 X 6 Percent = \$ 131,251.60 X 1/154,644 = 0.84873

CASH OPERATION AND MAINTENANCE EXPENSES

	Amount	Percentage To Be Shared	Allocated Expenses	Billed Gallons	Cost Per 1,000 Gallons
Treatment	\$ 1,216,355.00	90.00	\$ 1,094,719.50	1,039,505	1.05312
Transmission and Distribution	696,882.00	45.00	313,596.90	1,039,505	0.30168
General	57,120.00	45.00	25,704.00	1,039,505	0.02473
Total	\$ 1,970,357.00		\$ 1,434,020.40		

CUSTOMER COSTS DIVIDED BY
 WHOLESAL USER'S MOST RECENT
 ANNUAL BILLED GALLONS

\$144.00 X 1/154,644 = 0.00093

CURRENT CALCULATED WATER RATE (Rounded \$2.51)

\$ 2.51210

CITY OF MADISONVILLE, KENTUCKY
WATER RATE ANALYSIS
CAPITAL COSTS

	COST
A. <u>SOURCE OF SUPPLY</u>	
Green River Pipeline	\$ 3,364,071.64
Land, Dams and Lakes	1,155,924.86
Lakes and Intake Sources	482,737.26
Sub Total	5,002,733.76
Less: Grants	(3,000,000.00)
Total	\$ 2,002,733.76
 B. <u>WATER TREATMENT PLANT</u>	 \$ 8,449,569.49
 C. <u>STORAGE FACILITIES</u>	 \$ 1,991,712.78
 D. <u>TRANSMISSION AND DISTRIBUTION</u>	
Water Mains	\$ 6,094,446.06
Filtration	576,705.03
Distribution	107,876.03
Easements	16,219.06
Total	\$ 6,795,246.18
 E. <u>GENERAL MAINTENANCE EQUIPMENT</u>	
Distribution	\$ 271,088.77
Filtration	65,211.83
Total	\$ 336,300.60
 F. <u>CUSTOMER AND ADMINISTRATIVE</u>	
Water Services	\$ 1,655,026.57
Meters	167,589.23
Filtration Office Equipment	19,250.47
Distribution Office Equipment	17,429.12
Utility Office Equipment - (79,548.82 x 25%)	19,887.21
Total	\$ 1,879,182.60
 G. <u>HYDRANTS</u>	 \$ 262,211.81
 <u>GRAND TOTAL</u>	 \$21,716,957.22

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PUBLIC SERVICE
COMMISSION

NOTICE TO
CUSTOMERS OF
THE NEBO WATER
DISTRICT

In accordance with KRS 278.180 and Public Service Commission Regulation 807 KAR 5:001 the City of Madisonville, Kentucky has requested a change in the rate per 1,000 gallons of treated water sold to the Nebo Water District under the terms of an agreement between the aforementioned parties regarding the purchase and sale of treated water.

The amount of the change requested would increase the rate per 1,000 gallons of treated water \$.34 which represented a 14 percent increase over the rate currently being used. The current rate being charged is \$2.17 per 1,000 gallons of treated water and is proposed to increase to \$2.51 per 1,000 gallons of treated water effective January 1, 2007.

The rate contained in this notice is the rate proposed by the City of Madisonville, Kentucky; however, the Public Service Commission may order a rate to be charged that differs from the proposed rate 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 change, 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 the rate application and any other filings made by the City of Madisonville, Kentucky by contacting Lloyd Merrell, City Administrative Officer/Finance Director, 37 East Center Street, Madisonville, Kentucky 42431. 270-824-2105



FIRST CLASS

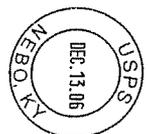
Nabo Water District
P O Box 147
Nabo KY 42441

To:

Public Service Commission
211 Sower Blvd
P O Box 615
Frankfort KY 40602-0615



**RETURN RECEIPT
REQUESTED**



0000017289



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PUBLIC SERVICE
COMMISSION