

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT                    )  
FILING OF UNION COUNTY WATER                ) CASE NO. 2012-00586  
DISTRICT    )

ORDER

On December 26, 2012, Union County Water District ("Union District") applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup> Having reviewed the application and being sufficiently advised, the Commission finds that:

1. On December 19, 1986, Union District and the city of Morganfield, Kentucky ("Morganfield") entered into an agreement for the sale and purchase of water ("Agreement").

2. The Agreement provides a detailed methodology for establishing the rate for the wholesale water service that Morganfield provides to Union District. It identifies the facilities and personnel whose operating costs and salaries will be allocated to the wholesale rate, the cost accounting treatment for specific expenditures, and provides a formula for cost allocation. The Agreement provides for annual recalculation of the wholesale rate based upon Morganfield's actual expenses in the preceding fiscal year. The recalculated components are to be assessed beginning on January 1 of the following year.

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

3. Union District continues to purchase water from Morganfield pursuant to the Agreement.

4. Morganfield notified Union District that, effective January 1, 2013, its volumetric wholesale rate to Union District would increase from \$1.5035 per 1,000 gallons to \$1.6617 per 1,000 gallons.

5. The formula set forth in the Agreement is the rate for wholesale water service,<sup>2</sup> and as this formula has remained unchanged since the contract's execution, KRS 278.180(1) did not require 30 days' notice to the Commission of the recalculated cost components. Under the contract terms, this recalculation may be properly assessed on and after January 1, 2013.

6. Union District applied a purchased water adjustment factor of \$0.17 per 1,000 gallons to its rates.

7. Union District adjusted its rates on January 1, 2013.

8. During the 12 months ending November 30, 2012, Union District purchased 335,848,500 gallons of water from Morganfield. It sold 316,280,820 gallons of water during the same period.

9. The purchased water adjustment factor of \$0.17 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

10. When applying the purchased water adjustment factor to all rate schedules other than the schedule for 5/8-inch meter service, Union District incorrectly

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<sup>2</sup> In this respect, the wholesale service rate is similar to an electric utility's fuel adjustment rate. See, e.g., *State ex. rel Utilities Commission v. Edmisten*, 230 S.E.2d 651, 659 (N.C. 1976) ("the word 'rate' used in the Public Utility Act refers not only to the monetary amount which each customer must ultimately pay but also to the published method or schedule by which that amount is figured").

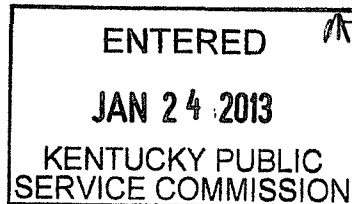
applied the adjustment factor to the rate block for monthly purchases from 200,000 to 299,999 gallons. Union District should file with the Commission a revised tariff sheet reflecting the rates set forth in Appendix B of this Order.

11. The rates set forth in Appendix B to this Order are fair, just, and reasonable and should be approved for water service that Union District renders on and after January 1, 2013.

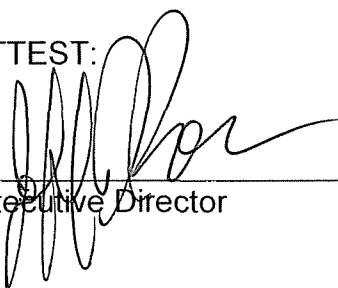
IT IS THEREFORE ORDERED that:

1. Union District's proposed rates are denied.
2. The purchased water adjustment factor of \$0.17 per 1,000 gallons as calculated in Appendix A is approved.
3. The rates in Appendix B are approved for service that Union District renders on and after January 1, 2013.
4. Within 20 days of the date of this Order, Union District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

By the Commission



ATTEST:

  
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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2012-00586 DATED JAN 24 2013

	New Rate	Base Rate
Morganfield		
Purchases in gallons	335,848,500	335,848,500
Volumetric rate	<u>\$1.6617/1,000</u>	<u>\$1.5035/1,000</u>
	\$558,079.45	\$504,948.22

Increased water cost \$53,131.23

Increased water cost \$ 53,131.23  
 Divided by gallons sold/1,000 316,280,820  
 Purchased water adjustment factor \$ 0.16799  
 or \$0.17 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2012-00586 DATED JAN 24 2013

The following rates and charges are prescribed for the customers in the area served by Union County 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.

Monthly Rates

5/8" Meter

First	2,000 gallons	\$11.41	Minimum Bill
Next	3,000 gallons	5.70	per 1,000 gallons
Next	5,000 gallons	5.30	per 1,000 gallons
Next	15,000 gallons	4.95	per 1,000 gallons
Next	25,000 gallons	4.65	per 1,000 gallons
Next	50,000 gallons	4.25	per 1,000 gallons
Next	100,000 gallons	3.85	per 1,000 gallons
Next	100,000 gallons	3.45	per 1,000 gallons
Over	300,000 gallons	3.05	per 1,000 gallons

3/4" Meter

First	5,000 gallons	\$28.50	Minimum Bill
Next	5,000 gallons	5.30	per 1,000 gallons
Next	15,000 gallons	4.95	per 1,000 gallons
Next	25,000 gallons	4.65	per 1,000 gallons
Next	50,000 gallons	4.25	per 1,000 gallons
Next	100,000 gallons	3.85	per 1,000 gallons
Next	100,000 gallons	3.45	per 1,000 gallons
Over	300,000 gallons	3.05	per 1,000 gallons

1" Meter

First	10,000 gallons	\$55.00	Minimum Bill
Next	15,000 gallons	4.95	per 1,000 gallons
Next	25,000 gallons	4.65	per 1,000 gallons
Next	50,000 gallons	4.25	per 1,000 gallons
Next	100,000 gallons	3.85	per 1,000 gallons
Next	100,000 gallons	3.45	per 1,000 gallons
Over	300,000 gallons	3.05	per 1,000 gallons

1 1/2" Meter

First	25,000 gallons	\$129.25	Minimum Bill
Next	25,000 gallons	4.65	per 1,000 gallons
Next	50,000 gallons	4.25	per 1,000 gallons
Next	100,000 gallons	3.85	per 1,000 gallons
Next	100,000 gallons	3.45	per 1,000 gallons
Over	300,000 gallons	3.05	per 1,000 gallons

2" Meter

First	50,000 gallons	\$245.50	Minimum Bill
Next	50,000 gallons	4.25	per 1,000 gallons
Next	100,000 gallons	3.85	per 1,000 gallons
Next	100,000 gallons	3.45	per 1,000 gallons
Over	300,000 gallons	3.05	per 1,000 gallons

2 1/2" Meter

First	75,000 gallons	\$351.74	Minimum Bill
Next	25,000 gallons	4.25	per 1,000 gallons
Next	100,000 gallons	3.85	per 1,000 gallons
Next	100,000 gallons	3.45	per 1,000 gallons
Over	300,000 gallons	3.05	per 1,000 gallons

3" Meter

First	100,000 gallons	\$457.99	Minimum Bill
Next	100,000 gallons	3.85	per 1,000 gallons
Next	100,000 gallons	3.45	per 1,000 gallons
Over	300,000 gallons	3.05	per 1,000 gallons

4" Meter

First	200,000 gallons	\$842.98	Minimum Bill
Next	100,000 gallons	3.45	per 1,000 gallons
Over	300,000 gallons	3.05	per 1,000 gallons

6" Meter

First	300,000 gallons	\$1,187.97	Minimum Bill
Over	300,000 gallons	3.05	per 1,000 gallons

Dickie Berry  
Manager  
Union County Water District  
409 North Court Street  
P. O. Box 146  
Morganfield, KY 42437