

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CLEARVIEW WATER)
COMPANY FOR A PURCHASED WATER)
ADJUSTMENT CLAUSE AND AN INCREASE) CASE NO. 8306
IN RATES IN ACCORDANCE WITH THE)
PROVISIONS OF SAID CLAUSE)

O R D E R

On August 7, 1981, the Clearview Water Company ("Clearview") filed an application with the Public Service Commission for approval of a purchased water adjustment clause and permission to increase the rates charged to its customers in accordance with the provisions of the requested purchased water adjustment clause.

On July 1, 1981, Clearview's supplier, the City of Danville, Kentucky, notified Clearview that, effective September 1, 1981, the average cost per 100 cubic feet of water would be increased \$.30.

On September 25, 1981, a hearing was held in the Commission's offices in Frankfort, Kentucky, to determine the necessity of a purchased water adjustment clause and the reasonableness of an adjustment to the customers' rates to reflect the September 1, 1981, increased cost of water to Clearview. All parties were notified and no intervenors were present at the hearing.

Calculation of Purchased Water Adjustment

The Commission, after careful examination of Clearview's water purchases and sales, has adopted an alternative approach to calculating the purchased water adjustment in this case. It was disclosed in the hearing that the master meters were consistently in error during the test period, resulting in water sales exceeding water purchases. This problem has since been corrected and the Commission has, therefore, based the purchased water adjustment calculation on the annualized water purchases of the three months following the test period, or July, August and September 1981.

The Commission has carefully reviewed the water sales and purchases during these three months and has determined that on an annualized basis, the resulting purchases are a fair representation of Clearview's expected annual water purchases.

Summary

The Commission, after reviewing all the evidence of record and being advised, is of the opinion and finds that:

(1) Clearview does not have on file with this Commission, a purchased water adjustment clause in its tariff.

(2) A purchased water adjustment clause is in the best interest of the public and should be approved.

(3) The City of Danville has increased the wholesale water rates charged to Clearview, effective September 1, 1981.

(4) Clearview's financial condition will not permit absorption of a purchased water cost increase.

(5) The rates, as proposed by Clearview, will produce revenues in excess of those found to be fair, just and reasonable

and, therefore, should be denied.

(6) The rates as set forth in Appendix B, which will produce additional revenues of \$18,110, are the fair, just and reasonable rates to charge for water service rendered on and after the date of this Order.

IT IS THEREFORE ORDERED that the purchased water adjustment clause, as set out in Appendix A, and attached hereto, is in the best interest of the public and is hereby approved.

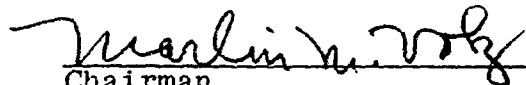
IT IS FURTHER ORDERED that the rates, as proposed by Clearview, are denied on application of KRS 278.030.

IT IS FURTHER ORDERED that the rates, as set out in Appendix B, and attached hereto, are the fair, just and reasonable rates to charge for water service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that within 20 days from the date of this Order, Clearview shall file with this Commission its revised tariff sheets setting forth the rates approved herein.

Done at Frankfort, Kentucky, this 20th day of October, 1981.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY IN CASE NO.8306 DATED
OCTOBER 20, 1981

The following rates and charges are prescribed for the customers of Clearview Water Company, Inc. 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 date of this Order.

Purchased Water Adjustment Applicable to the
Clearview Water Company, Inc. Rate Schedule

The retail rates now authorized and operable are based upon the wholesale cost of water to the Applicant pursuant to valid contracts or wholesale tariffs on file with the Commission. For purposes of this purchased water adjustment clause, these wholesale rates shall be considered as the base rate for purchased water.

Application for Change in Base Rate. In the event there is a change in the base rates, the Applicant shall file with the Commission the following information:

- (1) A copy of the wholesale supplier's tariff effecting a change in the base rate and a statement from the wholesale supplier evidencing the effective date of the new rates;
- (2) A detailed statement of water purchased under the base rate for previous 12 months showing billing under the base rate and the applicable proposed rate;

(3) A detailed statement of water sold for the same 12 months' period;

(4) A balance sheet and statement of operating expenses and revenues corresponding to the same 12 months' period, said period ending not more than 90 days prior to the date of this utility's application for an increase in the base rate;

(5) Evidence that the Applicant has notified its customers of the proposed change, in the event of an increase only;

(6) Revised tariff sheets reflecting the rates the Applicant proposes to charge; and

(7) Such other information as the Commission may request for a proper determination of the purchased water adjustment.

Upon receipt of all the necessary information, the Commission will review the effect of the changed rate upon the Applicant's operations and if an increase is proposed, determine whether all or a part of the increase can be absorbed by the Applicant. The Applicant shall not implement its proposed revised rates until the Commission issues an Order authorizing the Applicant to adjust its rates. If an adjustment is authorized, the supplier's changed rate shall become the supplier's base rate for use in future applications.

The maximum amount of the adjustment so ordered shall not produce revenue adjustments greater than the difference between the purchased water billed at the base rate and the purchased water billed at the authorized revised rate.

The notice required by (5) may be accomplished by a bill insert.

Calculation of the Purchased Water Adjustment. If a change is made in a base rate charged to the Applicant by its supplier(s), the unit charges of the wholesale tariff shall be increased or decreased by a purchased water adjustment calculated as follows:

(1) Water purchases shall be computed at the supplier's base rate and the supplier's new rate using a period of 12 calendar months ending within 3 months preceding the month of the effective date of the supplier's rate change. The difference between these amounts shows the total change in the Applicant's purchased water costs.

(2) The total change in purchased water costs shall be divided by the actual number of cubic feet or gallons sold, yielding the purchased water adjustment expressed in cents per cubic feet or gallons, unless the Applicant's water purchases exceed 115% of water sales during the 12-month period.

(3) In instances where water purchases exceed 115% of water sales, the actual water sales shall be divided by 85%, yielding the maximum allowable water purchases. The maximum allowable water purchases shall then be multiplied by the change in cost per cubic foot or gallon, yielding the total allowable change. The total allowable change shall then be divided by the actual number of cubic feet or gallons sold, yielding the purchased water adjustment expressed in cents per cubic feet or gallons.

Procedure for Distribution of Refunds from Suppliers. In

the event the Applicant receives a refund from its supplier for amounts previously paid, the Applicant shall immediately apply to the Commission for authority to make adjustments on the amounts charged customers' bills under this regulation as follows:

(1) The total refund received by the Applicant shall be divided by the number of cubic feet or gallons of water the water utility estimates it will sell to its customers during the four-month period beginning with the first day of the month following receipt of the refund, yielding a refund factor.

(2) Effective with meter readings taken on and after the first day of the second month following receipt of the refund, the Applicant will reduce by the refund factor any purchased water adjustment that would otherwise be applicable during the period. The period of reduced purchased water adjustment shall be adjusted, if necessary, in order to most nearly approximate the total amount to be refunded.

(3) In the event Applicant receives a large or unusual refund, the Applicant may apply to the Commission for a deviation from the procedure for distribution of refunds specified herein.

The base rate for purchased water for the future application of its purchased water adjustment clause is:

Supplier City of Danville, Kentucky

	<u>Consumption Block</u>	<u>Rate</u>
First	20,000 cu. ft. per month (Min.)	\$1.00 (Min.)
Next	80,000 cu. ft. per month	.80*
Next	100,000 cu. ft. per month	.62*
Next	300,000 cu. ft. per month	.52*
Next	500,000 cu. ft. per month	.45*
All over	1,000,000 cu. ft. per month	.40*

*Per 100 cubic feet

APPENDIX B

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY IN CASE NO.8306 DATED
OCTOBER 20, 1981

The following rates and charges are prescribed for the customers of Clearview Water Company, Inc. 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 date of this Order.

<u>Consumption Block</u>	<u>Rate</u>
First 267 cu. ft.	\$6.10 Minimum
Next 400 cu. ft.	2.40 per 133 cu. ft.
Next 667 cu. ft.	2.00 per 133 cu. ft.
Next 2000 cu. ft.	1.75 per 133 cu. ft.
Next 3333 cu. ft.	1.45 per 133 cu. ft.
Next 6667 cu. ft.	1.20 per 133 cu. ft.
All over 13,334 cu. ft.	1.00 per 133 cu. ft.