

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF)
POWELL'S VALLEY WATER DISTRICT) CASE NO. 10146

O R D E R

On January 26, 1988, Powell's Valley Water District ("Powell's Valley") filed its revised tariff sheets with the Kentucky Public Service Commission ("Commission") for the purpose of adjusting its rates pursuant to KRS 278.015 and 807 KAR 5:068, Purchased Water Adjustment.

The Commission, having reviewed the evidence of record and being advised is of the opinion and finds that:

1. Powell's Valley purchases water for its existing customers from the City of Clay City ("City"). Effective February 16, 1988, the City's rate for water sold to Powell's Valley will increase from \$.98 to \$1.12 per 1,000 gallons.

2. Powell's Valley proposed to place its rates into effect on February 18, 1988.

3. During the 12-months ending December 31, 1987, Powell's Valley purchased 40,886,000 gallons of water from the City and sold 31,692,804 gallons.

4. The increase in costs for water purchased from the City is \$5,724.04.

5. In Case No. 9819 (The Application of Powell's Valley Water District of Powell County, Kentucky, for Approval of

Construction and Financing), Powell's Valley was granted a certificate for construction of a waterworks project, which is now substantially complete. A total of approximately 294 new customers were to be added as a result of the construction, and many are already receiving service.

6. The City cannot supply a sufficient volume of water to serve the new customers. Powell's Valley has, therefore, entered into a contract to purchase additional water from Estill County Water District ("Estill") at a rate of \$1.52 per 1,000 gallons.

7. Powell's Valley estimates that the new customers' usage patterns will be substantially the same as existing customers and has calculated the additional volume of water required annually to be 23,432,000 gallons.¹

8. The difference between the cost of this volume of water at the City's base rate of \$.98 per 1,000 gallons and Estill's rate of \$1.52 per 1,000 gallons is \$12,653.28.

9. The total increase in purchased water costs is \$18,377, resulting in a purchased water adjustment of \$.33 per 1,000 gallons, based on total anticipated sales of 55,125,804².

10. Powell's Valley's calculations are incorrect in that it erroneously used the volume purchased in determining the purchased water adjustment factor rather than the volume sold.

¹ $\frac{294 \text{ new customers}}{513 \text{ existing customers}} \times 40,886,000 = 23,431,766.6 \text{ or } 23,432,000$

² $31,692,804 + 23,432,000 = 55,124,804.$

11. The purchased water adjustment of \$.33 per 1,000 gallons and the rates in Appendix A are correct and should be approved.

IT IS THEREFORE ORDERED that:

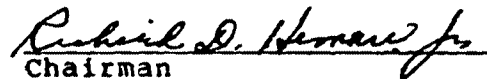
1. The purchased water adjustment of \$.33 per 1,000 gallons and the rates in Appendix A are approved effective for services rendered on and after February 18, 1988.

2. Within 30 days of the date of this Order, Powell's Valley shall file revised tariff sheets setting out the rates approved herein.

3. Within 30 days of the date of this Order, Powell's Valley shall file a copy of the notice to its customers and verification that such notice has been given.

Done at Frankfort, Kentucky, this 25th day of February, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 10146 DATED 2/25/88

The following rates and charges are prescribed for the customers in the area served by Powell's Valley Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

USAGE BLOCKS

First 2,000 gallons
Next 2,000 gallons
Next 2,000 gallons
Over 6,000 gallons

MONTHLY RATES

\$11.65 Minimum
4.75 per 1,000 gallons
3.50 per 1,000 gallons
2.75 per 1,000 gallons