

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF)
SPEARS WATER COMPANY) CASE NO. 89-281

O R D E R

On October 2, 1989, Spears Water Company ("Spears") filed an application with the Public Service Commission ("Commission") for the purpose of adjusting its rates pursuant to the purchased water adjustment procedure. 807 KAR 5:067.

On October 10, 1989, the Commission requested that additional information be filed. The required information was filed on October 12, 1989, and the record is now complete.

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

1. Spears purchases water from the city of Nicholasville ("City") and Kentucky-American Water Company ("Kentucky-American").

2. Effective July 3, 1989, Kentucky-American increased its rates by approximately \$.04 per 1,000 gallons. There has been no increase in the City's rate.

3. During the 12 months ending July 31, 1989, Spears purchased a total of 180,530,080 gallons of water, 45,828,750 of which was purchased from Kentucky-American and 134,702,080 from the City.

4. Spears' water system is physically separated with one segment served with water purchased from Kentucky-American and the other with water purchased from the City. During the 12-month period, Spears sold 44,602,200 gallons of the water purchased from Kentucky-American and 99,535,820 gallons of water purchased from the City. Unaccounted-for water losses for the two segments of the system are 2.68 percent for the Kentucky-American portion and 26.11 percent for the City portion. System-wide unaccounted-for water loss is 20.16 percent.

5. Since the water purchases and sales from each supplier are readily identifiable, Spears proposed to consider the level of unaccounted-for water loss specifically related to Kentucky-American in calculating the purchased water adjustment. The water loss of 2.68 percent related to this portion of the system is less than the maximum 15 percent loss allowed by 807 KAR 5:067, Section 3(3), and would not require an adjustment for water loss. However, it would result in a higher purchased water adjustment than if the overall percentage of loss were considered.

6. Spears' tariff contains two rate schedules, residential and mobile or field service, under which all customers are billed regardless of their location on the system. The increase in purchased water costs will be borne by customers system-wide and will be based on the total sales for system. Therefore, the overall unaccounted-for water loss should be considered in determining the total allowable gallons upon which the purchased water adjustment is calculated.

Further, it is inherent upon the utility to maintain its total system so as to minimize its unaccounted-for water loss. It would be unfair and unreasonable to allow higher rates to be borne by all customers based on a lower unaccounted-for water loss applicable to only one portion of the system.

7. On July 3, 1989, Kentucky-American implemented the rates it had proposed in Case No. 10481¹ pursuant to KRS 278.190(2). Subsequently, on August 22, 1989, the Commission entered its Order setting rates lower than those proposed and implemented by Kentucky-American and ordering that refunds be made. In calculating its purchased water adjustment, Spears erroneously applied the proposed rates rather than those approved by the Commission.

8. The correct increase in purchased water costs is \$6,227, resulting in a purchased water adjustment of \$.04 per 1,000 gallons as shown in Appendix B.

9. The purchased water adjustment of \$.04 per 1,000 gallons and the rates in Appendix A are fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment and rates proposed by Spears are denied.

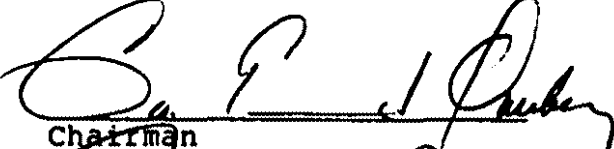
¹ Case No. 10481, Notice of Adjustment of Rates of Kentucky-American Water Company Effective on February 2, 1989.


2. The purchased water adjustment and rates shown in Appendices A and B, attached hereto and incorporated herein, are approved for services rendered on and after the date of this Order.

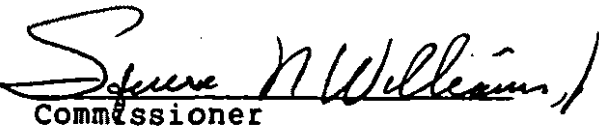
3. Within 30 days of the date of this Order, Spears shall file its revised tariff setting out the rates approved herein.

Done at Frankfort, Kentucky, this 25th day of October, 1989.

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. 89-281 DATED 10/25/89

The following rates and charges are prescribed for the customers in the area served by Spears Water Company. 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.

Residential

<u>Usage Blocks</u>	<u>Monthly Rates</u>
First 2,000 gallons	\$8.74 Minimum
Next 10,000 gallons	3.67 per 1,000 gallons
Over 12,000 gallons	2.82 per 1,000 gallons

Mobile Home And Field Services

<u>Usage Blocks</u>	<u>Monthly Rates</u>
First 1,000 gallons	\$4.97 Minimum
Next 11,000 gallons	3.67 per 1,000 gallons
Over 12,000 gallons	2.82 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 89-281 DATED 10/25/89

Purchased Water Adjustment Calculations

	<u>Ky-American</u>	<u>Nicholasville</u>	<u>Total</u>
Gallons Purchased	45,828,750	134,702,080	180,530,830
Gallons Sold	<u>44,602,200</u>	<u>99,535,820</u>	<u>144,138,020</u>
Unaccounted-for Water Loss	1,226,550	35,166,260	36,392,810
Percent of Loss	2.68%	26.11%	20.16%
Percent of Total Purchases	25.39%	74.61%	

Allowable Gallons: 144,138,020 gallons sold ÷ .85 = 169,574,141 gallons

Ky-American Allowable Gallons: 169,574,141 x .2539 = 43,054,874 gallons

Cost at Changed Rates

First 12,000 gals. x 12 =	144.00 m. gals. x \$1.48133/1,000 gals. =	\$ 213.31152
Next 588,000 gals. x 12 =	7,056.000 m. gals. x 1.16133/1,000 gals. =	8,194.34448
Over 600,000 gals. =	<u>35,854.874 m. gals. x 1.04933/1,000 gals. =</u>	<u>37,623.59493</u>
	43,054.874 m. gals.	\$ 46,031.25093
Meter Charge	\$132.90 x 12 months =	<u>1,594.80</u>
		\$ 47,626.05093

Less

Cost at Base Rates

First 12,000 gals. x 12 =	144.000 m. gals. x \$1.31733/1,000 gals. =	\$ 189.69552
Next 588,000 gals. x 12 =	7,056.000 m. gals. x 1.03333/1,000 gals. =	7,291.17648
Over 600,000 gals. =	<u>35,854.874 m. gals. x .93333/1,000 gals. =</u>	<u>33,464.42955</u>
	43,054.874 m. gals.	\$40,945.30155
Meter Charge	\$37.82 x 12 months =	<u>453.84</u>
		\$41,399.14155

Increase: \$6,226.90938

Purchased Water Adjustment: \$6,226.90938 ÷ 144,138.020 m. gals. sold = \$.04320
 or \$.04/1,000 gals.