

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF)
SPEARS WATER COMPANY, INC.) CASE NO. 91-238

O R D E R

On July 16, 1991, Spears Water Company, Inc. ("Spears") filed its revised tariff with the Public Service Commission ("Commission") for the purpose of adjusting its rates pursuant to the purchased water adjustment procedure, 807 KAR 5:067. The Commission subsequently requested by letter on August 2, 1991 that additional information be filed and advised Spears that the running of time for entry of the Commission's Order would be stayed until the necessary information was filed. The required information was filed on August 8, 1991, and the record is now complete.

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

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

2. Kentucky-American bills on a declining block rate schedule. Effective May 30, 1991, Kentucky-American increased its rate for water sold to Spears by approximately 16 cents per 1,000 gallons. There was an increase in its \$122.67 monthly service

charge to \$129.44 a month. There has been no change in the rate charged by the City. The average monthly bill for residential customers will increase from \$27.25 to \$27.52, which is an increase of 1 percent.

3. Spears did not specify a date for implementing the increased rates to its customers.

4. During the twelve months ending June 30, 1991, Spears purchased a total of 175,096,020 gallons of water, 40,950,750 gallons of which were purchased from Kentucky-American, and 134,145,270 gallons of which were purchased from the City.

5. Spears sold 148,335,100 gallons of water during the same 12-month period.

6. The calculations made by Spears are incorrect in that Spears did not use the appropriate base service charge in determining the increase in purchased water costs.

7. The correct increase in purchased water costs is \$6,452, resulting in a purchased water adjustment of 4 cents per 1,000 gallons as shown in Appendix B.

8. The purchased water adjustment of 4 cents per 1,000 gallons and the rates in Appendix A, attached hereto and incorporated herein, are fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:


1. Spears' proposed tariff and rates are hereby denied.
2. The purchased water adjustment in Appendix B and the rates in Appendix A 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 21st day of August, 1991.

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. 91-238 DATED 8/21/91**

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

Usage Blocks

First 2,000 gallons
Next 10,000 gallons
Over 12,000 gallons

Monthly Rates

\$8.96 Minimum Bill
3.78 per 1,000 gallons
2.93 per 1,000 gallons

Mobile Home and Field Services

Usage Blocks

First 1,000 gallons
Next 11,000 gallons
Over 12,000 gallons

Monthly Rates

\$5.08 Minimum Bill
3.78 per 1,000 gallons
2.93 per 1,000 gallons

APPENDIX B

**APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 91-238 DATED 8/21/91**

PURCHASED WATER ADJUSTMENT CALCULATIONS

Water Purchased:	City of Nicholasville	134,145,270 gallons
	KY-American Water Co.	<u>40,950,750 gallons</u>
Total Water Purchased:		175,096,020 gallons

Water Sold: 148,335,100 gallons

Cost at Changed Rate:

		<u>Rate</u>	<u>Cost</u>
First 600,000 gals x 12 mos. =	7,200,000 gals.	\$1.82005	\$13,104.36
Over 600,000 gals	= 33,750,750 gals.	1.44105	48,636.52
	<u>40,950,750 gals.</u>		

Service Charge: \$129.44 x 12 mos. =	<u>1,553.28</u>
Total Cost at Changed Rate	\$63,294.16

Cost at Base Rate:

		<u>Rate</u>	<u>Cost</u>
First 600,000 gals x 12 mos. =	7,200,000 gals.	\$1.648	\$11,865.60
Over 600,000 gals	= 33,750,750 gals.	1.289	43,504.72
	<u>40,950,750 gals.</u>		

Service Charge: \$122.67 x 12 mos. =	<u>1,472.04</u>
	\$56,842.36

Total increase in purchased cost: \$ 6,451.80

\$6,451.80 + 148,335.1 m. gals. = \$.0435 or 4 cents per 1,000 gals.