

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF)
LEXINGTON-SOUTH ELKHORN WATER) CASE NO. 91-279
DISTRICT)

O R D E R

On August 8, 1991, Lexington-South Elkhorn Water District ("District") filed its revised tariff with the Public Service Commission ("Commission") for the purpose of adjusting its rates pursuant to the purchased water adjustment procedure, KRS 278.015 and 807 KAR 5:068. The District seeks approval for an immediate adjustment to become effective August 12, 1991, based on the increase in its costs resulting from an increase in Kentucky-American Water Company ("Kentucky-American") water rates effective May 30, 1991.¹ The District also seeks an additional adjustment to its rates for a period of one year as a result of a tax surcharge imposed by Kentucky-American effective November 1, 1990 through October 31, 1991.²

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

¹ Case No. 90-321, Notice of Rate Adjustment of Kentucky-American Water Company.

² Administrative Case No. 313, The Effects of the Tax Reform Act of 1986 on Contributions in Aid of Construction and Customer Advances.

1. The District purchases its water from Kentucky-American.
2. Kentucky-American bills its customers on a two-step declining block rate schedule. Effective May 30, 1991, Kentucky-American increased its rates from approximately \$1.35 to \$1.42 per 1,000 gallons. The meter service charge for 2 inch and 4 inch meters was increased from \$39.25 to \$41.42 and \$122.67 to \$129.44 respectively. Based on 5,000 gallon average monthly usage, the average monthly bill for a District customer will increase from \$21.08 to \$21.53, an increase of 2.13 percent.
3. The District increased the rates to its customers effective August 12, 1991.
4. During the 12 months ending June 10, 1991, the District purchased 108,720,000 gallons from Meter No. 1 and 22,483,500 gallons from Meter No. 2 for a total of 131,203,500 gallons, and sold 107,611,470 gallons.
5. Due to a mathematical error, the District's purchased water adjustment factor is incorrect. The increase in the cost of purchased water is \$9,762, resulting in a purchased water adjustment of \$.09 per 1,000 gallons as shown in Appendix B. Therefore, the rates proposed by the District for the purpose of recovering the cost of purchased water should be denied.
6. The purchased water adjustment of \$.09 per 1,000 gallons and the rates in Appendix A, attached hereto and incorporated herein, are fair, just, and reasonable and should be approved.
7. In its application, the District requested an additional adjustment of \$.08 per 1,000 gallons to be imposed later for a period of 1 year to recoup the increase in its costs caused by the

imposition of a tax surcharge by Kentucky-American from November 1, 1990 through October 31, 1991. The purchased water adjustment procedure is not intended to retroactively recover charges from a water supplier. Therefore, only the prospective portion of the increase associated with Kentucky-American's tax surcharge should be approved. The District should be allowed to add an additional \$.08 per 1,000 gallons to its water rates only for water sold from August 12, 1991 through October 31, 1991.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment, the tax surcharge adjustment, and the rates proposed by the District 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 August 12, 1991.

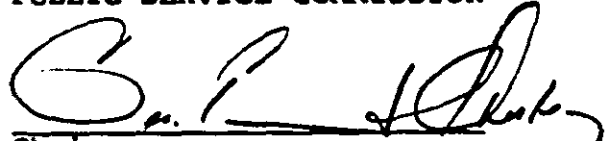
3. The surcharge in Appendix A is approved for services rendered from August 12, 1991 through October 31, 1991.

4. Within 30 days of the date of this Order, the District shall file its revised tariff setting out the rates and surcharge approved herein.

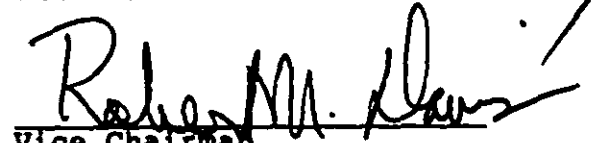
5. Within 20 days of the date of this Order, the District shall file with the Commission verification that notice of the increase in rates and of the temporary surcharge has been given to its customers.

Done at Frankfort, Kentucky, this 9th day of September, 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. 91-279 DATED 9/09/91

The following rates and charges are prescribed for the customers in the area served by Lexington-South Elkhorn 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.

<u>Usage Blocks</u>	<u>Monthly Rates</u>
<u>5/8 Inch x 3/4 Inch Meter</u>	
First 2,000 gallons	\$11.92 Minimum Bill
Next 2,000 gallons	3.41 per 1,000 gallons
Next 2,000 gallons	2.79 per 1,000 gallons
Next 10,000 gallons	2.59 per 1,000 gallons
Next 8,000 gallons	2.39 per 1,000 gallons
Over 24,000 gallons	2.13 per 1,000 gallons
<u>1 Inch Meter</u>	
First 10,000 gallons	\$34.68 Minimum Bill
Next 6,000 gallons	2.59 per 1,000 gallons
Next 8,000 gallons	2.39 per 1,000 gallons
Over 24,000 gallons	2.13 per 1,000 gallons
<u>2 Inch Meter</u>	
First 24,000 gallons	\$69.34 Minimum Bill
Over 24,000 gallons	2.13 per 1,000 gallons
<u>Surcharge To Recoup Taxes Refunded Per Administrative Case No. 313</u>	
<u>Metered Service</u>	<u>Rate</u>
For all metered usage	\$.08105
This surcharge expires October 31, 1991	

APPENDIX B

**APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 91-279 DATED 9/09/91**

PURCHASED WATER ADJUSTMENT CALCULATIONS

Water Purchased: Meter No. 1	108,720,000 gallons
Meter No. 2	<u>22,483,500 gallons</u>
Total Water Purchased:	131,203,500 gallons
Total Water Sold:	<u>107,611,470 gallons</u>

Cost at Changed Rate

<u>Meter No. 1</u>	<u>Rate</u>	<u>Cost</u>
First 600,000 gals. x 12 mos. =	7,200,000 gals. \$1.739	\$ 12,520.80
Over 600,000 gals. =	<u>101,520,000 gals. 1.360</u>	<u>138,067.20</u>
	108,720,000 gals.	\$150,587.00

<u>Meter No. 2</u>	<u>Rate</u>	<u>Cost</u>
First 600,000 gals. x 12 mos. =	7,200,000 gals. \$1.739	\$ 12,520.80
Over 600,000 gals. =	<u>15,283,500 gals. 1.360</u>	<u>20,785.56</u>
	22,483,500 gals.	\$ 33,306.36

Meter Charge 3-2 Inch Meters and 1-4 Inch Meters

(3 x 12 x \$41.42) + (12 x \$129.44)
 \$1,491.12 + \$1,553.28 \$ 3,044.40

Total Cost at Changed Rate: \$186,937.76

LESS:

Cost at Base Rate:

<u>Meter No. 1</u>	<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. =	<u>101,520,000 gals. 1.289</u>	<u>130,859.28</u>
	108,720,000 gals.	\$142,724.88

<u>Meter No. 2</u>	<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. =	<u>15,283,500 gals. 1.289</u>	<u>19,700.43</u>
	22,483,500 gals.	\$ 31,566.03

Meter Charge 3-2 Inch Meters and 1-4 Inch Meters

(3 x 12 x \$39.25) + (12 x \$122.67)
\$1,413 + \$1,472.04 \$ 2,885.04

Total Cost at Changed Rate: \$177,175.95

Total Increase in purchased cost: \$ 9,761.81

\$9,761.81 ~ 107,611.470 m. gals. = \$.0907 or 9 cents/1,000 gallons