

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF                    )  
SANDY VALLEY WATER DISTRICT                    )    CASE NO. 91-308

O R D E R

On September 4, 1991, Sandy Valley Water District ("Sandy Valley") 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. On September 11, 1991, the Commission notified Sandy Valley by letter of a deficiency in its application. The filing deficiency was cured by Sandy Valley on October 16, 1991, and the record is now complete.

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

1. Sandy Valley purchases water from the city of Prestonsburg ("Prestonsburg") and the city of Pikeville ("Pikeville"). Prior to this case, Prestonsburg billed Sandy Valley on a two-step declining block rate schedule. Subsequently, Prestonsburg has changed the rate structure it charges its customers to a three-step declining block rate schedule.

2. Effective October 1, 1988, Prestonsburg increased its rates to Sandy Valley by approximately 42 cents per 1,000 gallons. Effective July 1, 1991, Pikeville increased its rate for

wholesale water from 74 cents to 90 cents per 1,000 gallons. The monthly minimum of \$6,155 has not changed. Based on 5,000 gallons average monthly usage, the average monthly bill for a Sandy Valley customer will increase from \$17.64 to \$19.24, which is an increase of 9.07 percent.

3. Also, included in Sandy Valley's application was a 10 cent per 1,000 gallons booster pumping expense which is a cost of purchased water. Therefore, Sandy Valley may recover the booster pumping expense.

4. Sandy Valley increased the rate to its customers effective September 1, 1991.

5. During the 12 months ending June 30, 1991, Sandy Valley purchased 163,862,000 gallons from Pikeville and 49,172,000 gallons from Prestonsburg for a total of 213,034,000 gallons.

6. Sandy Valley sold 147,844,000 gallons of water during the same 12-month period ending June 30, 1991.

7. 807 KAR 5:068 does not require Sandy Valley to make an allowance for water loss.

8. Sandy Valley's purchased water adjustment factor is incorrect. The increase in the cost of purchased water is \$47,102, resulting in a purchased water adjustment of 32 cents per 1,000 gallons as shown in Appendix B.

9. The purchased water adjustment of 32 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.

10. During 1988, Sandy Valley entered into a contract to sell water to Mountain Water District ("Mountain") at \$1.48 per 1,000 gallons and Sandy Valley did not propose to change this rate in its tariff filing. The Commission is of the opinion that the purchased water adjustment should be applied to all customers of Sandy Valley, therefore, the purchased water adjustment of 32 cents per 1,000 gallons should be added to Mountain's present rate. The revised rate for Mountain should be \$1.80 per 1,000 gallons.

IT IS THEREFORE ORDERED that:

1. The rates and tariff sheets filed by Sandy Valley are hereby denied.

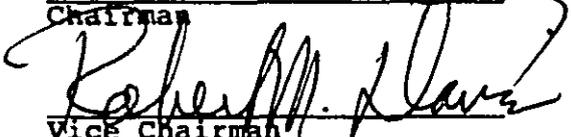
2. The purchased water adjustment of 32 cents per 1,000 gallons and the rates in Appendix A are hereby approved for services rendered on and after September 1, 1991.

3. Within 30 days of the date of this Order, Sandy Valley shall file a revised tariff, signed by the appropriate utility officer, setting out the rates approved herein.

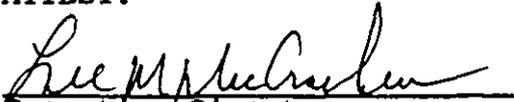
Done at Frankfort, Kentucky, this 15th day of November, 1991.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

ATTEST:

  
Executive Director

\_\_\_\_\_  
Commissioner

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 91-308 DATED 11/15/91

The following rates and charges are prescribed for the customers in the area served by Sandy 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

Monthly Rate

5/8 Inch x 3/4 Inch Meter

First 2,000 gallons	\$8.89 Minimum bill
Next 3,000 gallons	3.45 per 1,000 gallons
Next 15,000 gallons	3.10 per 1,000 gallons
Next 30,000 gallons	2.62 per 1,000 gallons
Next 50,000 gallons	2.39 per 1,000 gallons
Over 100,000 gallons	2.22 per 1,000 gallons

1 Inch Meter

First 5,000 gallons	\$19.24 Minimum Bill
Next 15,000 gallons	3.10 per 1,000 gallons
Next 30,000 gallons	2.62 per 1,000 gallons
Next 50,000 gallons	2.39 per 1,000 gallons
Over 100,000 gallons	2.22 per 1,000 gallons

1 1/2 Inch Meter

First 10,000 gallons	\$34.74 Minimum Bill
Next 10,000 gallons	3.10 per 1,000 gallons
Next 30,000 gallons	2.62 per 1,000 gallons
Next 50,000 gallons	2.39 per 1,000 gallons
Over 100,000 gallons	2.22 per 1,000 gallons

2 Inch Meter

First 25,000 gallons	\$78.84 Minimum Bill
Next 25,000 gallons	2.62 per 1,000 gallons
Next 50,000 gallons	2.39 per 1,000 gallons
Over 100,000 gallons	2.22 per 1,000 gallons

3 Inch Meter

First 60,000 gallons	\$168.24 Minimum Bill
Next 40,000 gallons	2.39 per 1,000 gallons
Over 100,000 gallons	2.22 per 1,000 gallons

4 Inch Meter

First 100,000 gallons	\$263.84 Minimum Bill
Over 100,000 gallons	2.22 per 1,000 gallons

Wholesale Water Service	\$ 2.22 per 1,000 gallons
Mountain Water District	1.80 per 1,000 gallons

APPENDIX B

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PURCHASED WATER ADJUSTMENT CALCULATIONS

Water Purchased: Pikeville	163,862,000 gallons
Prestonsburg	49,172,000 gallons
Total Water Purchased:	213,034,000 gallons
Total Water Sold:	147,844,000 gallons

Cost at the Changed Rate

Prestonsburg

First 2,000 gals. x 12 mos. =	24,000 (12 x \$6.60)	\$	79.20
Next 98,000 gals. x 12 mos. =	1,176,000 x \$2.65/1,000 gals.		3,116.40
Over 100,000 gals.	= 47,972,000 x \$1.65/1,000 gals.		79,153.80
	<u>49,172,000 gals.</u>	\$	<u>82,349.40</u>
Pumping Charge: 49,172,000 gals. x \$0.10/1,000 gals. =			4,917.20
		\$	<u>\$ 87,266.60</u>

Pikeville

163,862,000 gals. x \$0.90/1,000 gals. =	\$147,475.80
\$6,155 x 12	= 73,860.00
	<u>\$221,335.80</u>

Total Purchased Cost at Changed Rate: \$308,602.40

LESS

Cost at the Base Rate

Prestonsburg

49,172,000 gals. x \$1.35/1,000 gals. = \$ 66,382.20

Pikeville

163,862,000 gals. x \$0.74/1,000 gals. =	\$121,257.88
\$6,155 x 12	= 73,860.00
	<u>\$195,117.88</u>

Total Purchased Cost at Base Rate: \$261,500.08

Total Increase in Purchased Cost: \$ 47,102.32

\$47,102.32 + 147,844 m. gals. = \$.3186 or 32 cents/1,000 gals.