

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF)
SPEARS WATER COMPANY, INC.) CASE NO. 94-209

O R D E R

On June 6, 1994, Spears Water Company, Inc. ("Spears") filed its 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.

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

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

2. Effective April 1, 1994, Kentucky-American increased its rates for wholesale water 5.055 cents per 1,000 gallons.

3. Spears proposed to increase the rates to its customers effective April 1, 1994.

4. During the 12 months ending April 30, 1994, Spears purchased 168,488,830 gallons of water, of which 45,489,830 was purchased from Kentucky-American and is subject to the wholesale rate increase, and sold 159,091,100 gallons.

5. Spears' calculations are correct and show an increase in purchased water cost of \$2,320, resulting in a purchased water adjustment of 1 cent per 1,000 gallons. Based on an average

monthly usage of 5,000 gallons, the average bill of Spears' customers would increase 5 cents from \$20.35 to \$20.40 or .2457 percent.

6. The purchased water adjustment of 1 cent 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, Spears requested that the increase be added to its customers' bill as a line item and proposed other adjustments to its present rate design. The purchased water adjustment regulation provides the changes in the cost of water purchased by a utility may be passed-through to its customers by increasing or decreasing the unit charges in the utility's tariff. The regulation provides no authority to: 1) establish a line-item charge to supplement the existing unit charges; or 2) implement any change in rate design. Therefore, the request to show this increase as a line item and to adjust the present rate design should be denied.

IT IS THEREFORE ORDERED that:

1. The request to show the increase as a line item and the proposed rates and rate design change are hereby denied.

2. The purchased water adjustment of 1 cent per 1,000 gallons and the rates in Appendix A are hereby approved for services rendered on and after April 1, 1994.

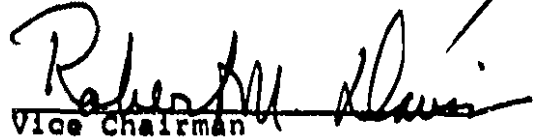
3. Within 30 days of the date of this Order, Spears shall file revised tariff sheets setting out the rates approved herein.

4. Within 30 days of the date of this Order, Spears shall file verification that its customers have been notified of the increase in rates.

Done at Frankfort, Kentucky, this 23rd day of June, 1994.

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. 94-209 DATED June 23, 1994.

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.

Gallage Block

Monthly Rates

First 1,000 gallons	\$5.12 Minimum Bill
Next 11,000 gallons	3.82 per 1,000 gallons
Over 12,000 gallons	2.97 per 1,000 gallons