

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF)
SPEARS WATER COMPANY, INC.) CASE NO. 94-250

O R D E R

On June 28, 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 two suppliers, the City of Nicholasville ("Nicholasville") and Kentucky-American Water Company ("Kentucky-American").

2. Nicholasville will increase its rates for wholesale water from \$1.43 per 1,000 gallons to \$1.49 per 1,000 gallons beginning with Spears' purchased water bill due and payable in August 1994.

3. Spears proposed tariff set forth no effective date although its customer notice included an effective date of July 1, 1994.

4. During the 12 months ending April 30, 1994, Spears purchased 122,982,000 gallons of water from Nicholasville and 45,489,830 gallons of water from Kentucky-American for a total of 168,471,830 and sold 159,091,100 gallons.

5. Spears' calculations show an increase in purchased water cost of \$7,378.92, resulting in a purchased water adjustment of 4 cents per 1,000 gallons. The calculation of the purchased water cost is correct but the increase should be 5 cents per 1,000 gallons. Based on an average monthly usage of 5,000 gallons, the average bill of Spears' customers would increase 25 cents from \$20.50 to \$20.75 or 1 percent.

6. The purchased water adjustment of 5 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.

7. In its application, Spears requested that the increase be added only to residential rates and it be shown as a line item on customers' bills. Spears presented no evidence to support increasing its residential rates without similarly increasing its mobile home and field rates. Further, the purchased water adjustment regulation specifies that changes in the cost of purchased water must be reflected as increases or decreases to the unit charges of the utility's tariff. Therefore, all rate classes should be increased to recover this purchased water adjustment and the request to show this increase as a line item should be denied.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment of 5 cents per 1,000 gallons and the rates in Appendix A are hereby approved for services rendered on and after August 1, 1994.

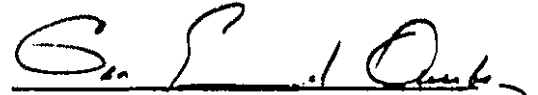
2. Spears proposed rates are denied.

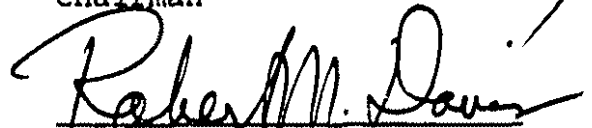
3. Within 30 days of the date of this Order, Spears shall file revised tariff sheets setting out the rates approved herein.

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 22nd day of July, 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. 94-250 DATED JULY 22, 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.

RESIDENTIAL

Gallonage Block

Monthly Rates

First 2,000 gallons	\$9.14 Minimum Bill
Next 10,000 gallons	3.87 per 1,000 gallons
Over 12,000 gallons	3.02 per 1,000 gallons

MOBILE HOME AND/OR FIELD

Gallonage Block

Monthly Rates

First 1,000 gallons	\$5.17 Minimum Bill
Next 11,000 gallons	3.87 per 1,000 gallons
Over 12,000 gallons	3.02 per 1,000 gallons