

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT
OF MADISON COUNTY UTILITIES DISTRICT

) CASE NO.
) 2008-00153

ORDER

On April 28, 2008, Madison County Utilities District (“Madison District”) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

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

1. Madison District purchases water from Richmond Utilities (“Richmond Utilities”).
2. On March 31, 2008, Richmond Utilities notified Madison District that, effective July 1, 2008, its wholesale rate to Madison District would increase from \$2.02 per 100 cubic feet of water to \$2.08 per 100 cubic feet.
3. On March 31, 2008, Richmond Utilities further notified Madison District that, as a result of an increase in the water withdrawal fees that the Kentucky River Authority (“KRA”) assessed to Tier II users, Richmond Utilities was increasing its charge to recover KRA from \$0.040 per 100 cubic feet to \$0.065 per 100 cubic feet of water effective April 1, 2008.
4. Madison District proposes a purchased water adjustment factor of \$0.10 per cubic feet for its customers, effective July 1, 2008.

¹ KRS 278.015 and 807 KAR 5:068.

5. Administrative Regulation 807 KAR 5:068, Section 1, defines “base rate” as “[t]he supplier’s base rate in effect immediately prior to the most recent increase.”

6. Administrative Regulation 807 KAR 5:068, Section 2(2), requires that the increased cost of water purchased be based on the 12-month period ending within 90 days immediately prior to the effective date of its rate adjustment to its customers.

7. Administrative Regulation 807 KAR 5:068 does not permit deviations from its requirements.

8. Madison District proposes to increase its rates as a result of two separate and distinct increases in its wholesale supplier’s rates. The first increase became effective on April 1, 2008. The second increase, an increase of \$0.06 per 100 cubic feet, will become effective on July 1, 2008. KRS 278.015 permitted Madison District to adjust its rates commensurate with Richmond Utilities’ wholesale rate adjustment on or after April 1, 2008 without prior Commission approval.

9. The base rate that Madison District uses to calculate the proposed purchased water adjustment does not meet the requirements of Administrative Regulation 807 KAR 5:068. This rate is not the base rate that Richmond Utilities had in effect immediately prior to the proposed wholesale rate adjustment of July 1, 2008.

10. The usage information that Madison District uses to calculate the proposed purchased water adjustment does not meet the requirements of Administrative Regulation 807 KAR 5:068. Madison District uses billing information for the 12-month period ending March 1, 2008.

11. During the 12 month period ending February 8, 2008, Madison District purchased 100,247,900 cubic feet of water from Richmond Utilities. The increase in the

cost of purchased water is \$25,602, resulting in a purchased water adjustment factor of \$0.03 per 100 cubic feet.

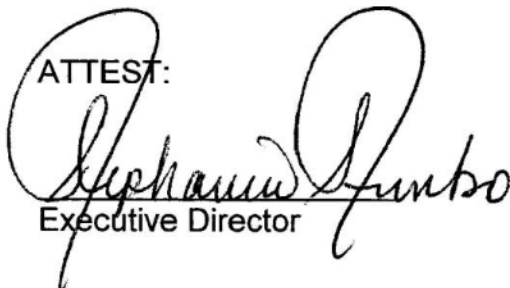
12. The purchased water adjustment factor of \$0.03 per 100 cubic feet is fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. Madison District's proposed rates are denied.
2. The purchased water adjustment factor of \$0.03 per 100 cubic feet as calculated in Appendix A is approved.
3. The rates set forth in Appendix B are fair, just, and reasonable and are approved for service that Madison District renders on or after July 1, 2008.
4. Within 20 days of the date of this Order, Madison District shall file with the Commission revised tariff sheets setting forth the rates approved herein.

Done at Frankfort, Kentucky, this 28th day of May, 2008.

By the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00153 DATED May 28, 2008

	New Rate	Base Rate
Madison County		
Purchases in cu ft	100,247,900	100,247,900
Volumetric rate	<u>\$0 .065/100</u>	<u>\$ 0.04/100</u>
	\$665,161	\$40,099

Increased water cost \$25,602

Increased water cost	\$ 25,602
Divided by cubic feet sold	<u>82,598,140</u>
Purchased water adjustment factor	\$0.03 per 100 cu ft

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00153 DATED May 28, 2008

The following rates and charges are prescribed for the customers in the area served by Madison County Utilities District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

RATES

Monthly Water Rates

First	280 cubic feet	\$ 13.13	Minimum Bill
Next	720 cubic feet	4.10	per 100 cubic feet
Next	3,000 cubic feet	3.90	per 100 cubic feet
Next	8,000 cubic feet	3.73	per 100 cubic feet
Next	88,000 cubic feet	3.56	per 100 cubic feet
Over	100,000 cubic feet	3.29	per 100 cubic feet