

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)	
WHOLESALE WATER SERVICE RATES OF)	CASE NO. 2009-00230
THE CITY OF LANCASTER)	

O R D E R

On May 21, 2009, the City of Lancaster ("Lancaster") filed with the Commission a revised tariff that would increase its wholesale rates from \$1.88 per 1,000 gallons to \$1.99 per 1,000 gallons. The increase was to become effective on July 1, 2009. On June 8, 2009, Garrard County Water Association ("Garrard Association") filed an objection to Lancaster's proposed rate. On June 26, 2009, the Commission opened this proceeding to investigate the reasonableness of Lancaster's proposed wholesale water service rate to Garrard Association.

On October 8, 2009, Lancaster filed an agreement between the parties in which Lancaster's wholesale rate to Garrard Association would be set at \$1.90 per 1,000 gallons plus an additional amount of \$0.088 per 1,000 gallons to recover the Kentucky River Authority fee.

Having considered the proposed adjustment and being otherwise sufficiently advised, the Commission finds that Lancaster's proposed rate adjustment should be permitted to become effective without further action. The purpose of the Commission's jurisdiction over a municipal utility's wholesale transactions with a public utility is to ensure that any public utility "consumer/customer that has contracted and become

dependent for its supply of water from a city utility is not subject to either excessive rates or inadequate service.”¹

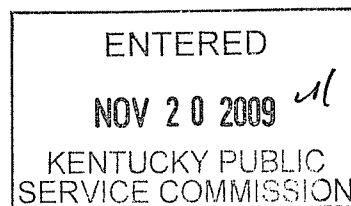
In the case at bar, this purpose has been served. The affected public utility made clear its objections to the proposed rate adjustment. The municipal utility and public utility have discussed these objections and have reached an accommodation. As the proposed rates on their face appear neither unreasonable nor unconscionable, the Commission sees no need to conduct further proceedings in this matter.

IT IS THEREFORE ORDERED that:

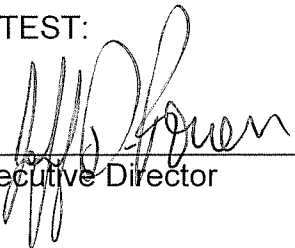
1. Lancaster’s wholesale rate of \$1.90 per 1,000 gallons of purchased water plus \$0.088 per 1,000 gallons to offset the Kentucky River Authority fee is approved for services rendered on and after the date of this Order.

2. Within 20 days of the date of this Order, Lancaster shall file with the Commission a revised tariff sheet setting forth the rates that are approved in this Order.

By the Commission



ATTEST:



Executive Director

¹ Simpson County Water District v. City of Franklin, 872 S.W.2d 460, 465 (Ky. 1994).

Fred Simpson
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