

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF )  
SANDY VALLEY WATER DISTRICT ) CASE NO. 9820

O R D E R

On December 17, 1986, Sandy Valley Water District ("Sandy Valley") filed its revised tariff sheets with the Public Service Commission ("Commission") for the purpose of adjusting its rates pursuant to KRS 278.015 and 807 KAR 5:068.

The Commission, having reviewed the evidence of record and being advised, is of the opinion and finds:

1. Sandy Valley purchases water from two suppliers, the City of Prestonsburg and the City of Pikeville. The City of Pikeville increased its rates for wholesale water from \$.65 per 1,000 gallons to a monthly minimum of \$6,155 plus \$.74 per 1,000 gallons effective September 19, 1986. There has been no increase in the rates charged by the City of Prestonsburg.

2. Sandy Valley proposes to place its rates into effect upon issuance of the Commission's Order.

3. Sandy Valley sold 193,480,000 gallons of water during the 12-month period ending September 30, 1986.

4. The master meter through which water is purchased from the City of Pikeville has been found to be faulty and is currently

being replaced; thus, Sandy Valley does not have an accurate record of water purchased during the 12-month period upon which to base its actual increase in purchased water costs.

5. In Sandy Valley's most recent rate case (Case No. 9549, An Adjustment of the Rates of Sandy Valley Water District), the record shows that Sandy Valley's unaccounted-for water was 15.4 percent for the 12-month test period ending September 30, 1985, and that 68 percent of its water was purchased from the City of Pikeville. (Exhibit 5, Case No. 9549)

6. KRS 278.015 and 807 KAR 5:068 provide for the calculation of the purchased water adjustment based on total water purchased. Absent an accurate record of water purchased from the City of Pikeville during the test period, Sandy Valley's test period sales should be adjusted by the 15 percent unaccounted-for water found in Case No. 9549 in order to avoid a revenue loss that would be detrimental to Sandy Valley and its customers. Calculation of the purchased water adjustment should be based on the adjusted purchases as set out in Appendix B to this Order.

7. Sandy Valley should file a schedule of its monthly purchases and sales covering a 6-month period following the replacement of the master meter by the City of Pikeville. Upon receipt and review of this information by the Commission, the rates granted by this Order should be adjusted if the unaccounted-for water varies substantially from that allowed herein.

8. Based on the allowable purchases of 154,784,000 gallons shown in Appendix B, the increase in purchased water costs is

\$87,791, resulting in a purchased water adjustment of \$.45 per 1,000 gallons of water.

9. The rates in Appendix A are fair, just and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The adjustment to Sandy Valley's water purchases in accordance with Finding No. 5 and Appendix B are hereby approved.

2. The purchased water adjustment of \$.45 per 1,000 gallons and the rates in Appendix A are approved for services rendered on and after the date of this Order.

3. Sandy Valley shall file with the Commission a schedule of its purchases and sales for a 6-month period following replacement of the master meter by the City of Pikeville. If the required schedule of purchases and sales shows a substantial variance from the unaccounted-for water allowed herein, Sandy Valley's rates shall be adjusted accordingly.

4. Within 30 days of the date of this Order, Sandy Valley shall file its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 14th day of January, 1987.

PUBLIC SERVICE COMMISSION

*Richard D. Henning*  
Chairman

*[Signature]*  
Vice Chairman

*[Signature]*  
Commissioner

ATTEST:

\_\_\_\_\_  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 9820 DATED 1/14/87

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.

5/8-Inch Meter

<u>Usage Blocks</u>	<u>Monthly Rates</u>
First 2,000 gallons	\$ 7.20 Minimum
Next 3,000 gallons	2.65 per 1,000 gallons
Next 15,000 gallons	2.35 per 1,000 gallons
Next 30,000 gallons	1.95 per 1,000 gallons
Next 50,000 gallons	1.75 per 1,000 gallons
Over 100,000 gallons	1.60 per 1,000 gallons

1-Inch Meter

First 5,000 gallons	\$ 15.15 Minimum
Next 15,000 gallons	2.35 per 1,000 gallons
Next 30,000 gallons	1.95 per 1,000 gallons
Next 50,000 gallons	1.75 per 1,000 gallons
Over 100,000 gallons	1.60 per 1,000 gallons

1 1/2-Inch Meter

First 10,000 gallons	\$ 26.90 Minimum
Next 10,000 gallons	2.35 per 1,000 gallons
Next 30,000 gallons	1.95 per 1,000 gallons
Next 50,000 gallons	1.75 per 1,000 gallons
Over 100,000 gallons	1.60 per 1,000 gallons

2-Inch Meter

First 25,000 gallons	\$ 60.15 Minimum
Next 25,000 gallons	1.95 per 1,000 gallons
Next 50,000 gallons	1.75 per 1,000 gallons
Over 100,000 gallons	1.60 per 1,000 gallons

3-Inch Meter

First 60,000 gallons	\$126.40 Minimum
Next 40,000 gallons	1.75 per 1,000 gallons
Over 100,000 gallons	1.60 per 1,000 gallons

4-Inch Meter

First 100,000 gallons	\$196.40 Minimum
Over 100,000 gallons	1.60 per 1,000 gallons

6-Inch Meter

First 300,000 gallons	\$516.40 Minimum
Over 300,000 gallons	1.60 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
 COMMISSION IN CASE NO. 9820 DATED 1/14/87

CALCULATION OF PURCHASED WATER ADJUSTMENT

	Gallons Purchased 10/1/84 - 9/30/85 <u>(C.N. 9549)</u>	Percent of Total
City of Pikeville	131,000,000 gal.	68%
City of Prestonsburg	<u>61,526,000 gal.</u>	<u>32%</u>
	192,526,000 gal.	100%

Gallons Sold 10/1/85 - 9/30/86 (C.N. 9820) = 193,480,000 gal.

193,480,000 x 68% = 131,566,400 gal. purch. from City of Pikeville  
 131,566,400 ÷ .85 = 154,784,000 allowable gal. with 15% water loss

Cost at Changed Rate: 12 mo. x \$6,155 minimum = \$ 73,860.00  
 154,784 m. gal. x .74 per 1,000 gal. = 114,540.16  
 \$188,400.16

Less

Cost at Base Rate: 154,784 m. gal. x .65 per 1,000 gal. = \$100,609.60

Increase in Purchased Water Costs \$ 87,790.56

Purchased Water Adjustment \$87,790.56 ÷ 193,480 m. gal. sold = \$.45  
 per 1,000 gal