

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATE RATE ADJUSTMENT FILING OF ) CASE NO.  
SOUTH HOPKINS WATER DISTRICT ) 2015-00154

ORDER

On May 15, 2015, South Hopkins Water District ("South Hopkins") tendered its application pursuant to 807 KAR 5:076 requesting to adjust its retail water rates. By this Order, the Commission approves an increase in retail water rates that will generate \$38,002 in additional annual revenues, a 3.489 percent increase to pro forma present rate revenues of \$1,089,046.<sup>1</sup> Our action will increase the monthly bill of a retail water customer purchasing 5,000 gallons of water through a 5/8-inch x 3/4-inch meter from \$31.90 to \$33.01 per month, an increase of \$1.11, or 3.489 percent.<sup>2</sup>

South Hopkins did not request to increase its wholesale rates, which are adjusted annually pursuant to a formula that is included in the wholesale contract agreements. South Hopkins relies on the mechanism located in the water-purchase contract to determine the wholesale rate annually. Any increase or decrease in its wholesale water rate should be determined by the formula located in the contracts.

Commission Staff applied methods and practices that are generally accepted by the Commission to review the reasonableness of South Hopkins's pro forma financial statements, revenue requirement calculation, and requested retail water rates. On

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<sup>1</sup> Staff Report at 4.

<sup>2</sup> *Id.*

August 12, 2015, Commission Staff issued a report finding that South Hopkins's adjusted test-year operations support a \$47,233<sup>3</sup> increase in annual revenues from water sales and allocated \$38,002 of this increase to the rates charged to the retail customers.<sup>4</sup> On August 24, 2015, South Hopkins filed a written response that stated agreement with Staff's findings concerning the annual increase in revenues, and which also did not request a hearing. Accordingly, the Commission finds that good cause exists for the case to be submitted on the record.

Having considered the evidence and being otherwise sufficiently advised, the Commission finds that:

1. South Hopkins is a water district organized pursuant to KRS Chapter 74, and owns and operates facilities that distribute water to approximately 2,974 customers that reside in the Kentucky counties of Caldwell and Hopkins. It also provides contracted wholesale water service to Caldwell County Water District ("Caldwell County") and to the cities of Mortons Gap and Earlington.<sup>5</sup>

2. The calendar year ended December 31, 2014 should be used as the test period to determine the reasonableness of South Hopkins's existing and proposed wastewater rates.

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<sup>3</sup> *Id.* at 17.

<sup>4</sup> *Id.* at 4.

<sup>5</sup> *Annual Report of South Hopkins Water District to the Public Service Commission for the Calendar Year Ended December 31, 2014* ("2014 Annual Report") at 12 and 55.

3. Based upon pro forma test-year operations, after adjusting for known and measurable changes, South Hopkins's pro forma present rate revenues and total operating expenses are \$1,409,949<sup>6</sup> and \$1,409,646,<sup>7</sup> respectively.

4. South Hopkins has two outstanding bond issuances that are payable to the United States Department of Agriculture Rural Development ("RD") and which, as of December 31, 2014, had reported outstanding balances of \$566,300.<sup>8</sup>

5. The three-year average principal and interest payments for the years 2015 through 2017 on the two RD bond issuances are \$42,342.<sup>9</sup>

6. The Commission has historically used a Debt Service Coverage ("DSC") method to calculate the revenue requirement for water districts or associations with outstanding long-term debt.

7. Application of the Commission's DSC method to South Hopkins's pro forma operations results in a total revenue requirement from all sources of \$1,460,500.<sup>10</sup> Revenue of \$1,401,114 from water service rates is necessary to generate the overall revenue requirement.<sup>11</sup>

8. The rates set forth in the Appendix to this Order will produce the required revenue requirement from retail water sales of \$1,127,048,<sup>12</sup> are fair, just, and

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<sup>6</sup> Staff Report at 5. \$1,353,881 (Revenue from Water Sales) + \$24,020 (Forfeited Discounts) + \$31,144 (Miscellaneous Service Revenues) + \$904 (Other Water Revenues) = \$1,409,949.

<sup>7</sup> *Id.*

<sup>8</sup> Annual Report at 22.

<sup>9</sup> Staff Report at 17.

<sup>10</sup> *Id.* at 17.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.* at 4.

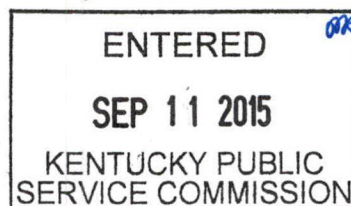
reasonable, and should be approved for service rendered on and after the date of this Order.<sup>13</sup>

9. The retail water rates requested by South Hopkins will produce \$1,149,194 in annual water sales revenues and should be denied.

IT IS THEREFORE ORDERED that:

1. The retail water rates requested by South Hopkins are denied.
2. The rates as set forth in the Appendix to this Order are approved for retail water service rendered by South Hopkins on and after the date of this Order.
3. Within 20 days of the date of this Order, South Hopkins shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, setting forth the rates approved herein.
4. The Executive Director is delegated authority to grant reasonable extensions of time for the filling of any documents required by this Order upon South Hopkins's showing of good cause for such extension.

By the Commission



ATTEST:

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

<sup>13</sup> Commission Staff found that South Hopkins could justify an increase in annual revenues of \$47,241; however, recognizing that South Hopkins's wholesale rates are adjusted annually pursuant to a formula that is included in the wholesale contract agreements, Commission Staff recommended that only retail rates be adjusted in this proceeding.

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2015-00154 DATED **SEP 11 2015**

The following rates and charges are prescribed for the customers in the area served by South Hopkins Water 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.

#### Monthly Rates

##### 5/8- X 3/4-Inch Meter

First	1,000	gallons	\$ 10.54 Minimum bill
Next	9,000	gallons	5.62 per 1,000 gallons
Next	10,000	gallons	5.23 per 1,000 gallons
Next	30,000	gallons	4.83 per 1,000 gallons
All Over	50,000	gallons	4.09 per 1,000 gallons

##### 1-Inch Meter

First	10,000	gallons	\$ 61.12 Minimum bill
Next	10,000	gallons	5.23 per 1,000 gallons
Next	30,000	gallons	4.83 per 1,000 gallons
All Over	50,000	gallons	4.09 per 1,000 gallons

##### 2-Inch Meter

First	20,000	gallons	\$ 113.42 Minimum bill
Next	30,000	gallons	4.83 per 1,000 gallons
All Over	50,000	gallons	4.09 per 1,000 gallons

##### 3-Inch Meter

First	50,000	gallons	\$ 258.32 Minimum bill
All Over	50,000	gallons	4.09 per 1,000 gallons

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