

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

AN ADJUSTMENT OF THE RATES OF THE)
NORTHEAST WOODFORD COUNTY WATER) CASE NO. 7516
DISTRICT)

O R D E R

Preface

On July 17, 1979, the Northeast Woodford County Water District hereinafter referred to as the Utility, filed with this Commission its request seeking an increase in water rates to be charged by the District. The rate increase sought by the Utility would increase annual revenues by approximately \$16,777 over test-year operations.

The case was set for hearing at the Commission's Offices in Frankfort, Kentucky, September 28, 1979. All parties of interest were notified with the Consumer Protection Division of the Attorney General's Office permitted to intervene in the matter. Due to certain inadequacies in the Utility's petition, the case was continued to November 16, 1979. The record is now complete and the entire matter is now considered to be fully submitted for a final determination by this Commission.

Test Period

The Utility has selected the twelve month period ending June 30, 1979, as the "Test-Year" and has submitted tabulations of its revenues and expenses for this period including its pro-forma adjustments thereto for the Commission's consideration in the determination of rate adjustments. Said tabulations along with those found reasonable by this Commission are included in Appendix "C" of this Order.

Findings in This Matter

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and finds:

1. That the existing rates charged by the Utility provided annual revenues of approximately \$53,507 from an average of 226 customers receiving water service during the test-year; and the addition thereto of \$5,260 interest income and \$160 service charges yielded total revenues of \$58,927 for the period.
2. That the Utility's proforma annual operating expenses, including depreciation and interest, are estimated to be approximately \$68,259.
3. That the rates prescribed and set forth in Appendix "A", attached hereto and made a part hereof, are the fair, just, and reasonable rates to be charged by the Utility for services rendered to its customers. Further, that these rates should provide annual revenues of approximately \$67,874. The addition thereto of \$5,260 Interest Income and \$160 service charges should provide total annual revenues of \$73,294, which should provide for: operating expenses including depreciation and interest, servicing of the debt, and the accumulation of a reasonable surplus for compliance with bond ordinance requirements.
4. That the Commission, after consideration of the tabulations of test-year and projected revenues and expenses submitted by the Utility, concludes that said revenues, expenses and proforma adjustments thereto can be summarized as shown in Appendix "B", attached hereto and made a part hereof. On the basis of the said Appendix "B" tabulation the Commission further concludes that annual revenues in the amount of \$73,294 are necessary and will permit the Utility to meet its reasonable expenses for providing water services to its customers.
5. That the rates proposed by the Utility are unfair, unjust, and unreasonable in that they would produce revenues in excess of those found reasonable herein and should be denied.
6. That the Utility should directly inform each of its customers of the magnitude of the increase in rates allowed herein and the specific basis for this increase.

7. That according to Kentucky Revised Statutes, Chapter 74.361, the Kentucky General Assembly has determined that the reduction in the number of water districts and associations operating in the Commonwealth is in the public interest, "in that mergers of such Districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public....". Therefore, the Commission further finds that the Utility should investigate the possibilities of merger with the other water utilities operating in this area, and report to this Commission the findings of their investigation within ninety (90) days of the date of this Order.

Orders in This Matter

The Commission, on the basis of the matters hereinbefore set forth, and the evidentiary record in this case:

HEREBY ORDERS that the rates as prescribed and set forth in Appendix "A", attached hereto, be and they hereby are fixed as the fair, just, and reasonable rates of the Utility to become effective for services rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the rates sought by the Utility be and the same are hereby denied.

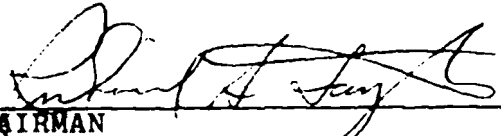
IT IS FURTHER ORDERED that the Utility shall directly inform each of its customers of the magnitude of the increase in rates approved herein and of the specific basis for this increase. Further, that the Utility shall, within thirty (30) days of the date of this Order, file with this Commission its certification that its customers have been duly informed as ordered herein.

IT IS FURTHER ORDERED the the Utility investigate the possibilities of merger with the other water utilities operating in the area and made a written report of the findings of said investigation to this Commission within ninety (90) days of the date of this Order.

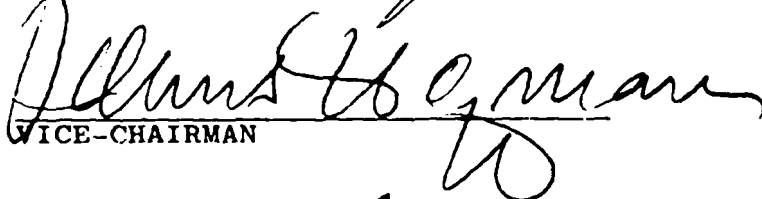
IT IS FURTHER ORDERED that the Utility file with this Commission, within thirty (30) days from the date of this Order, its tariff sheets setting forth the rates approved herein. Further, that a copy of the Utility's "Rules and Regulations" for providing service to its customers shall be filed with said tariff sheets.

Done at Frankfort, Kentucky, this 19th day of February, 1980.

UTILITY REGULATORY COMMISSION



CHAIRMAN



VICE-CHAIRMAN



COMMISSIONER

ATTEST:

SECRETARY

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7516 DATED FEBRUARY 19, 1980

The following rates are hereby prescribed for the customers served by the Northeast Woodford County Water District. All other rates and charges not mentioned specifically herein shall remain the same as those in effect prior to the date of this Order.

<u>Gallorage Blocks For Each Meter Size</u>	<u>Monthly Rate For Each Gallorage Block</u>
<u>5/8-inch X 3/4-inch Meter</u>	
First 2,000	\$ 6.55 Minimum Bill
Next 2,000	2.10 Per 1,000 Gallons
Next 6,000	1.70 Per 1,000 Gallons
Next 90,000	1.35 Per 1,000 Gallons
Over 100,000	1.20 Per 1,000 Gallons
<u>3/4-inch Meter</u>	
First 5,000	\$12.45 Minimum Bill
Next 5,000	1.70 Per 1,000 Gallons
Next 90,000	1.35 Per 1,000 Gallons
Over 100,000	1.20 Per 1,000 Gallons
<u>1-inch Meter</u>	
First 10,000	\$20.95 Minimum Bill
Next 90,000	1.35 Per 1,000 Gallons
Over 100,000	1.20 Per 1,000 Gallons
<u>1 1/2-inch Meter</u>	
First 15,000	\$27.70 Minimum Bill
Next 85,000	1.35 Per 1,000 Gallons
Over 100,000	1.20 Per 1,000 Gallons
<u>2-inch Meter</u>	
First 20,000	\$34.45 Minimum Bill
Next 80,000	1.35 Per 1,000 Gallons
Over 100,000	1.20 Per 1,000 Gallons

All meters shall be read to the nearest one hundred gallons each month.

The monthly bill for a customer served by a 5/8" X 3/4" meter shall be \$6.55 for metered usages of zero (0) to two thousand (2,000) gallons. The additional charge for usage in excess of two thousand gallons shall be computed to the nearest one hundred (100) gallons of usage on the basis of the above unit costs per one thousand (1,000) gallons. Monthly bills for customers served by meters larger than 5/8" X 3/4" shall be computed in a similar manner with the total bill being either the minimum bill for that meter, or the summation of the minimum bill and the cost of any additional gallonage to the nearest one hundred (100) gallons.

APPENDIX "B"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7516 DATED FEBRUARY 19, 1980

In accordance with Finding No. 3, the following is the Commission's summary of "Test-Year" and projected annual revenues and expenses for providing service to test year and proforma customers.

	Test Year ⁽¹⁾ Ending 6/30/79	Proforma ⁽¹⁾ Requested	Proforma Found Reasonable
(No. of Customers)	(226)	(254)	(254)
<u>Revenues:</u>			
Water Sales	\$ 53,507	\$ 70,284	\$ 67,874
Interest Income	5,260	5,260	5,260
Service Charges	160	160	160
Total Revenues	\$ 58,927	\$ 75,704	\$ 73,294
<u>Expenses:</u>			
1. Water Purchased	\$ 23,615	\$ 33,854	\$ 33,854
2. Debt to City of Versailles: \$5,207/3-yrs.	-0-	1,736	1,736
3. Meter Reading & Billing	3,363	4,300	4,115 ⁽³⁾
4. Salaries - General	647	925	925
5. Telephone	831	831	831
6. Operation & Maintenance	1,744	1,600	1,600
7. Repairs	445	1,500	1,500
8. Utilities	950	1,240	1,065 ⁽²⁾
9. EPA Monitoring	-0-	5,280	5,280
10. Depreciation	5,533	5,533	5,533
11. Interest - Long Term Debt	6,600	6,480	6,480
12. Rate Case: \$4,367/3-yrs.	-0-	1,455	1,455
13. Commissioner's Salaries	3,600	3,600	3,600
14. Insurance	285	350	285 ⁽⁴⁾
Total Expenses	\$ 47,613	\$ 68,684	\$ 68,259
Net Income Before Debt Retirement	\$ 11,314	\$ 7,020	\$ 5,035

(1) "Test Year" and "Proforma" revenues and expenses were taken from the Utility's Comparative Income Statement (corrected) for the twelve (12) month period ending June 30, 1979.

(2) The proforma increase found reasonable for utilities expenses (Item 8) is based on providing service to 254 proforma customers: an increase of twenty-eight (28) over test-year customers and a \$115 increase in lieu of the \$290 increase requested, but not substantiated by the Utility.

(3) The proforma increase found reasonable for meter reading and billing is based on \$1.35 per customer per month (Q. 10, Page 15, Transcript of November 16, 1979 hearing) for twenty-eight (28) additional proforma customers.

(4) The Utility did not adequately substantiate its requested proforma expense for insurance (Item 8), the proforma found reasonable was, therefore, the same as that incurred during the test-year.