

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

* * * * *

In the Matter of:

THE APPLICATION OF POWELL'S VALLEY)
WATER DISTRICT OF POWELL COUNTY,)
KENTUCKY, FOR APPROVAL ON AN IN-) CASE NO. 7649
CREASE IN RATES TO BE CHARGED BY)
SAID DISTRICT FOR WATER SERVICES)

O R D E R

Preface

On October 31, 1979, the Powell's Valley 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 \$30,715 over test-year operations.

The case was set for hearing at the Commission's Offices in Frankfort, Kentucky, February 1, 1980. All parties of interest were notified with the Consumer Protection Division of the Attorney General's Office permitted to intervene in the matter. 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 July 31, 1979, as the "Test-Year" and has submitted tabulations of its revenues and expenses for this period including its proforma 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 "B" 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 \$51,155 from an average of 392 customers receiving water service during the test-year; and the addition thereto of \$1,396 interest income and \$191 miscellaneous income yielded total revenues of \$52,742 for the period.

2. That the Utility's proforma annual operating expenses, including depreciation and interest, are estimated at \$71,334.

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 \$75,245. The addition thereto of \$700 interest income and \$191 miscellaneous income should provide total annual revenues of \$76,136, 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 \$76,136 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. The record in this case shows that the Utility's unaccounted for water is excessive and does not reflect adequate accountability for its purchased water. The Commission, therefore, finds that the Utility should establish and maintain a program of emphasis on leak detection and correction until such time as its distribution

system losses have been reduced to 15% or less for three consecutive months. Further, that the Utility should submit monthly reports of said losses to this Commission until such time as these losses have been stabilized at 15% or less. Such reports shall include the quantity of water purchased, the quantity of water sold and the quantity of unaccounted for water.

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 establish and maintain a program of emphasis on leak detection and correction and make monthly reports to this Commission as previously set forth herein in Finding No. 6.

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 2nd day of April, 1980.

UTILITY REGULATORY COMMISSION


CHAIRMAN


VICE CHAIRMAN


COMMISSIONER

ATTEST:

SECRETARY

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7649 DATED APRIL 2, 1980.

The following rates are hereby prescribed for the customers served by the Powell's Valley 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.

Gallage Blocks For
Each Meter Size

Monthly Rate For
Each Gallage Block

5/8-inch X 3/4-inch Meter

First 2,000 Gallons
Next 2,000 Gallons
Next 2,000 Gallons
Over 6,000 Gallons

\$ 9.50 Minimum Bill
3.75 Per 1,000 Gallons
2.50 Per 1,000 Gallons
1.90 Per 1,000 Gallons

APPENDIX "B"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7649 DATED APRIL 2, 1980.

In accordance with Finding No. 4, 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.

| | Year Ending ⁽¹⁾ 7/31/79 <u>Test Year Books</u> | Proforma ⁽¹⁾ <u>Requested</u> | Proforma Found <u>Reasonable</u> |
|---|---|---|--|
| (No. of Customers) | (392) | (410) | (410) |
| <u>Revenues:</u> | | | |
| Water Sales | \$ 51,155 | \$ 81,870 | \$ 75,245 |
| Miscellaneous Income | 191 | 191 | 191 |
| Interest Income | <u>1,396</u> | <u>700</u> | <u>700</u> |
| Total Revenues | \$ 52,742 | \$ 82,761 | \$ 76,136 |
| <u>Expenses:</u> | | | |
| Water Purchased | \$ 18,931 | \$ 18,963 | \$ 15,265 ⁽²⁾ |
| Salaries | 13,170 | 16,300 | 16,300 |
| Depreciation | 7,317 | 7,718 | 7,718 |
| Repair & Maintenance | 2,815 | 6,815 | 6,815 |
| Telephone & Utilities | 2,077 | 2,077 | 2,077 |
| Commissioner's Fees | 1,800 | 3,600 | 1,800 ⁽³⁾ |
| Accountant & Attorney Fees | 1,200 | 3,700 | 3,700 |
| Rent | 1,200 | 1,200 | 1,200 |
| Other Supplies | 964 | 964 | 964 |
| Miscellaneous | 829 | 829 | 829 |
| Insurance | 824 | 1,074 | 1,074 |
| PVT on Long Term Debt | <u>13,673</u> | <u>13,592</u> | <u>13,592</u> |
| Total Expenses | \$ 64,800 | \$ 76,832 | \$ 71,334 |
| Income Before Debt Retirement (Loss) | \$ 12,058 | \$ 5,929 | \$ 4,802 |

(1) "Test-Year" and "Proforma" revenues and expenses were taken from the Utility's Comparative Income Statement for the twelve (12) month period ending July 31, 1979.

(2) Water Purchased cost was based on the Utility serving 410 customers and having a 15% line loss which is the maximum loss allowed by the Commission for rate-making purposes.

(3) Commissioner's Fees are reduced to test-year because the Utility failed to introduce any evidence into the record showing that the requested increases had been authorized by the County Judge Executive and approved by the County Fiscal Court as required by KRS 74.020(4).