

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of

THE APPLICATION OF OHIO COUNTY WATER DISTRICT,)
OHIO COUNTY, KENTUCKY (1) FOR A CERTIFICATE)
OF CONVENIENCE AND NECESSITY AUTHORIZING)
SAID DISTRICT TO CONSTRUCT ADDITIONS TO)
A WATER DISTRIBUTION SYSTEM PURSUANT TO KRS)
CHAPTER 74; (2) SEEKING APPROVAL OF AN) CASE NO. 7667
ADJUSTMENT OF A SCHEDULE OF RATES AND)
CHARGES TO BE CHARGED FOR WATER SERVICE; AND)
(3) SEEKING APPROVAL OF THE ISSUANCE OF)
CERTAIN SECURITIES.)

INTERIM ORDER

Preface

On November 20, 1979, the Ohio County Water District, hereinafter referred to as the Utility, filed with this Commission its duly verified application seeking: (1) a "Certificate of Convenience and Necessity" authorizing the construction of extensions, additions, and other improvements to the Utility's existing water treatment plant and distribution system; (2) approval of the proposed plan for financing the proposed project; and (3) approval of an adjustment of rates and charges for providing water service.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, on December 20, 1979. All parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes and the Consumer Protection Division of the Attorney General's Office intervened in the matter.

A copy of a letter from the Sanitary Engineering Division of the Kentucky Department for Natural Resources and Environmental Protection approving the plans and specifications is on file with this Commission.

The complete record and testimony in this matter through the conclusion of the December 20, 1979 hearing has been considered by the Commission in making the findings and determinations herein set forth.

Test Period

The Utility has selected the twelve month period ending September 30, 1979, as the "Test-Year" and has submitted a tabulation of its revenues and expenses for this period including its proforma adjust-

ments thereto for the Commissions consideration in the determination of rate adjustments.

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 public convenience and necessity requires construction of the proposed extensions, additions, and other improvements to the Utility's existing treatment plant and distribution system in the areas defined by the application and exhibits filed in this matter.

2. That the construction project proposed by the Utility includes an expansion of its water treatment plant capacity from 1.5 to 2.0 million gallons per day, one 250,000 gallon storage tank, two 100,000 gallon storage tanks, approximately 57.4 miles of distribution mains and approximately 380 customer service connections; all at a total project cost of \$2,100,800.

3. That any construction deviations from the contract plans and specifications, herein approved, which could adversely affect service to any customer should be subject to the prior approval of this Commission.

4. That the financing of this project composed of a \$1,119,000 FmHA grant, an \$8,900 ADF grant, \$60,900 in service connections fees, \$200,000 in Coal Severance Funds and the issuance of \$712,000 in water revenue bonds is for lawful objects within the corporate purposes of the Utility, is necessary and appropriate for and consistent with the proper performance by the Utility of its service to the public, and will not impair its ability to perform that service.

5. That, according to the record in this matter, the existing rates charged by the Utility provided annual revenues of approximately \$323,466 from approximately 1900 customers receiving water service during the Test Year ending September 30, 1979, and resulted in a net deficit of \$18,079 for the period.

6. That the Utility's annual expenses including those of depreciation and interest are estimated to be approximately \$408,604 for the first year of operations after completion of the proposed construction.

7. That the Utility's proforma rates should produce revenues adequate to meet the \$408,604 estimated proforma expenses and provide in addition thereto adequate funding for debt retirement and cash working funds for adequate day to day operations of the Utility in the providing of reliable, adequate and efficient services to its customers.

8. That the rates proposed by the Utility are as follows:

<u>Gallonge Blocks of Metered Usage</u>	<u>Monthly Rate for Each Gallonge Block</u>
First 2,000 gallons	\$7.80 (Minimum Bill)
Next 8,000 gallons	2.30 per 1,000 gallons
Next 10,000 gallons	1.95 per 1,000 gallons
Next 30,000 gallons	1.65 per 1,000 gallons
Next 50,000 gallons	1.30 per 1,000 gallons
Over 100,000 gallons	.60 per 1,000 gallons

Further, that according to the record in this matter, the above listed rate of \$0.60 for the "Over 100,000" gallonge block is less than the Utility's cost for delivery of water to those customers to whom this rate is applicable. Further, that the revenue losses resulting from the sale of water below cost to any customer must be offset by revenues produced by other customers. The Commission is, therefore, of the opinion that the rates proposed by the Utility are discriminatory, unfair, unreasonable, unjust, and should be denied.

9. That the Utility should, within ninety (90) days of the date of this Order, file with this Commission, a revised schedule of rates. Further, that an engineering analysis should be submitted therewith to show that the new proposed minimum rate for usage over 100,000 gallons per month is adequate to cover the Utility's expenses, including depreciation and interest for delivery of water to those customers to whom the rate is applicable.

10. That the Utility should furnish this Commission with duly verified documentation of the total cost of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), within sixty (60) days of the date that construction is substantially completed.

11. That the contract between the Utility and the Engineer should require the Engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the construction work conforms to the best construction practices and is

done in accordance with the contract plans and specifications.

12. That within sixty (60) days of the date of substantial completion of this construction, the Utility should require the Engineer to furnish this Commission with a copy of the as-built plans along with the Engineer's certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

13. That a 5/8" x 3/4" water meter should be the Utility's standard customer service meter and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter. Further, that any customer with a larger meter, with the exception of special contract customers, should pay for the service in accordance with the Applicant's approved meter size rate schedules.

14. That the service connection fees proposed by the Utility were not substantiated by supporting cost data. The Commission, therefore, will defer its findings on the requested fees until such time as substantiating cost data is filed with this Commission.

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 Utility be and it is hereby granted a Certificate of Convenience and Necessity to construct the proposed extensions, additions, and other improvements to its existing treatment plant and distribution system in the areas set forth in the application and in accordance with the contract plans and specifications filed in this record.

IT IS FURTHER ORDERED that any construction deviations from the contract plans and specifications, herein approved, which could adversely affect service to any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that the Utility be and it is hereby authorized to finance this construction project with a \$1,119,000 FmHA grant, an \$8,900 ADF grant, \$60,900 in service connection fees, \$200,000 in Coal Severance funds and the issuance of \$712,000 in water revenue

bonds at an interest rate not to exceed 5%. Further, that this \$2,100,800 in project funds shall be used only for the lawful objects as set forth in the application.

IT IS FURTHER ORDERED that the rates requested by the Utility be and the same are hereby denied in accordance with "Finding No. 8" as previously set forth herein.

IT IS FURTHER ORDERED that the Utility shall, within ninety (90) days of the date of this Order, file with this Commission a revised schedule of rates in accordance with "Finding No. 9" as previously set forth herein. Further, that the revised rates must be adequate for meeting the reasonable expenses of the Utility after completion of the proposed construction including depreciation and interest and allow for the accumulation of a reasonable surplus. Further, that the Utility's existing rates shall remain in effect until adjustments thereto are approved by this Commission.

IT IS FURTHER ORDERED that the Utility file with this Commission a duly verified document or documents which show the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), within sixty (60) days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the contract between the Utility and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the contractor's construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED that the Utility shall require the Engineer, within sixty (60) days of substantial completion of the proposed construction, to furnish this Commission with a copy of the as-built plans and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

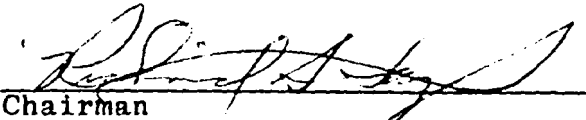
IT IS FURTHER ORDERED that a 5/8" x 3/4" meter shall be the Utility's standard customer service meter and shall be installed at all points of service unless the customer provides sufficient justification

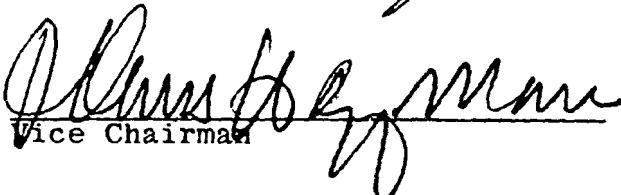
for the installation of a larger meter. Further, that any customer with a larger meter, with the exception of special contract customers, shall pay for that service in accordance with the Utility's approved meter size rate schedules.

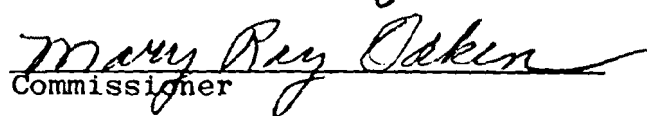
Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 24th day of January, 1980.

UTILITY REGULATORY COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

Chairman Richard L. Taylor did not participate in the
opinion and Order in this case.