

COMMONWEALTH OF KENTUCKY

BEFORE THE UTILITY REGULATORY COMMISSION

* * * * *

In the Matter of:

THE APPLICATION OF PULASKI COUNTY)
WATER DISTRICT NO. 1, OF PULASKI)
COUNTY, KENTUCKY, FOR (1) A)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY AUTHORIZING AND) CASE NO. 7911
PERMITTING SAID WATER DISTRICT)
TO CONSTRUCT A WATERWORKS)
CONSTRUCTION PROJECT, CONSISTING)
OF EXTENSIONS, ADDITIONS AND)
IMPROVEMENTS TO THE EXISTING)
WATERWORKS SYSTEM OF THE DISTRICT)
(2) APPROVAL OF THE PROPOSED PLAN)
OF FINANCING OF SAID PROJECT: AND)
(3) APPROVAL OF THE INCREASED)
WATER RATES PROPOSED TO BE CHARGED)
BY THE DISTRICT TO CUSTOMERS OF)
THE DISTRICT.)

O R D E R

Preface

On July 15, 1980, the Pulaski County Water District No. 1, hereafter referred to as the "Utility," filed with this Commission its duly verified application seeking a Certificate of Public Convenience and Necessity authorizing the construction of extensions, additions and other improvements to its existing water distribution system; approval of the proposed method of financing the project; and approval of proposed adjustments to its existing rates for providing water service. The Commission has heretofore issued its Interim Order dated September 26, 1980 approving the construction and financing of this project.

The increase in annual revenues sought by the Applicant from its proposed rates is \$56,411 over those produced during the twelve month period ending April 30, 1980. On August 26, 1980, the Utility filed its Notice with the Commission wherein it proposed to increase its rates for water service rendered on and after October 1, 1980, and the Commission responded by issuing its Order suspending the proposed rates, charges and classifications for a period of five (5) months on and after October 1, 1980.

The case was heard at the Commission's offices in Frankfort, Kentucky on November 5 and 26, 1980. All parties of interest were notified with the Consumer Intervention Division of the Attorney General's Office being permitted to intervene in the matter. At the final hearing, a request for additional information was made by the Commission staff. This information has been filed, and the entire matter is now considered to be fully submitted for final determination by this Commission.

Test Period

The Utility proposed and the Commission has accepted the twelve (12) month period ending April 30, 1980 as the "test year" for the purpose of determining the reasonableness of the proposed rates. Adjustments, where found significant and reasonable, have been included to reflect more current operating conditions.

Revenues and Expenses

The Utility proposed several adjustments to actual operating revenues and expenses as reflected in its Comparative Income Statement for the twelve months ended April 30, 1980. The Commission finds these adjustments allowable and has accepted them for rate-making purposes with the following exception:

The Commission is of the opinion that the allowance for depreciation expense should be computed on the basis of original cost of utility plant in service less contributions in aid of construction. The allowable depreciation expense adjustment of \$9,132 was computed as follows:

(Plant in Service - \$511,708.59 less Contributions in Aid of Construction - \$315,112.31 X 2%) + pro-forma depreciation expense \$5,200 = \$9,131.93.

Therefore, the Utility's adjusted operations at the end of the test period are as follows:

| | <u>Actual</u> | <u>Adjustments</u> | <u>Adjusted</u> |
|-----------------------------|-------------------|-----------------------|-------------------|
| Operating Revenues | \$ 66,631 | \$ 3,835 ¹ | \$ 70,466 |
| Operating Expenses | 83,439 | 9,235 | 92,674 |
| Net Operating Income (Loss) | \$(16,808) | \$ (5,400) | \$(22,208) |
| Interest Income | 3,612 | (3,612) | |
| Interest Expense | 3,816 | 11,694 | 15,510 |
| Net Income (Loss) | <u>\$(17,012)</u> | <u>\$(20,706)</u> | <u>\$(37,718)</u> |

Operating Revenue Increase

The Commission finds that the Utility is entitled to operating revenues equal to 1.2 times its annual debt service plus operating expenses including depreciation. Therefore the increase in operating revenues is computed as follows:

| | |
|--|------------------|
| Debt Service Coverage X 1.2 (Principal \$7,000 + Interest \$15,510 X 1.2) | \$ 27,012 |
| Add: Adjusted Operating Expenses | 92,674 |
| Subtotal | <u>\$119,686</u> |
| Less: Adjusted Operating Revenue | <u>70,466</u> |
| Increase in Gross Revenue | <u>\$ 49,220</u> |

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 rates prescribed and set forth in Appendix "A" attached hereto and made a part hereof should produce gross annual revenues of approximately \$119,686 and are the fair, just and reasonable rates to be charged for water service rendered by the Utility on and after the date of the issuance of the water revenue bonds.

2. That the Commission further concludes that gross annual revenues in the amount of \$119,686 are necessary and will permit the Utility to meet its adjusted operating expense and provide a 1.2 coverage of its annual debt service cost.

¹This computation is based on an average residential usage of 3,500 gallons per month with fifty additional customers.

3. 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.

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 prescribed and set forth in Appendix "A" attached hereto and made a part hereof, are hereby fixed as the fair, just and reasonable rates of Pulaski County Water District No. 1 to become effective for water service rendered on and after the date of the issuance of the water revenue bonds.

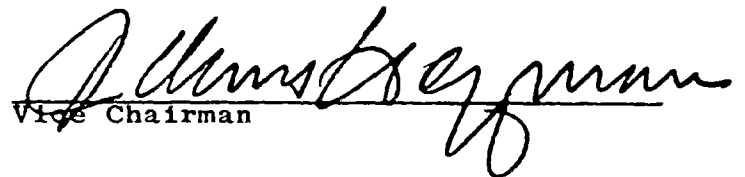
IT IS FURTHER ORDERED that the rates proposed by the Utility, insofar as they differ from those in Appendix "A", be and the same are hereby denied.

IT IS FURTHER ORDERED that the Utility shall file with this Commission, within thirty (30) days after the date of the issuance of the water revenue bonds, 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 tariffs.

Done at Frankfort, Kentucky, this 23rd day of January, 1981.

UTILITY REGULATORY COMMISSION

Did not participate
Chairman


Vice Chairman

Commissioner

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY
REGULATORY COMMISSION IN CASE NO.
7911 DATED JANUARY 23, 1981.

The following rates and charges are prescribed for all customers served by Pulaski County Water District # 1. All other rates and charges not specifically mentioned herein shall remain the same as those in effect prior to the date of this Order.

Rates: Monthly

| | | |
|----------|----------------|---------------------------|
| First | 1,000 gallons | \$ 5.35 minimum bill |
| Next | 4,000 gallons | 2.15 per thousand gallons |
| Next | 5,000 gallons | 1.90 per thousand gallons |
| All Over | 10,000 gallons | 1.60 per thousand gallons |

Monthly Minimum Charges:

| | | |
|---------------------------|----------------------|----------------------|
| 5/8 or 3/4 Inch Meter | First 1,000 gallons | \$ 5.35 minimum bill |
| 1 Inch Meter | First 1,500 gallons | 6.43 minimum bill |
| 1 1/4 or 1 1/2 Inch Meter | First 2,000 gallons | 7.50 minimum bill |
| 2 Inch Meter | First 2,500 gallons | 8.58 minimum bill |
| 3 Inch Meter | First 3,500 gallons | 10.73 minimum bill |
| 4 Inch Meter | First 9,000 gallons | 21.55 minimum bill |
| 6 Inch Meter | First 25,000 gallons | 47.45 minimum bill |