

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF SOUTH MARSHALL)
WATER DISTRICT, HARDIN, KEN-) CASE NO. 7946
TUCKY SEEKING MODIFICATION OF)
ITS WATER RATES)

O R D E R

On August 28, 1980, South Marshall Water District (Applicant), a water utility serving approximately 150 customers, filed its Application seeking authority to increase its rates to produce an increase in revenue of \$7,336.47, an increase of approximately 43.25%.¹

The proposed rates and charges were suspended for a period of five (5) months ending March 1, 1980, by the Commission Order entered August 29, 1980. A second Order entered December 17, 1980, set a public hearing to be held January 21, 1981 at 1:30 p.m., in the Commission's offices at Frankfort, Kentucky. The hearing was held as scheduled, with all parties of interest having first been duly notified and the Division of Consumer Intervention of the Attorney General's Office being the only intervenor of record. The matter is now considered to be fully submitted for final determination by this Commission.

TEST PERIOD

The Applicant proposed and the Commission has accepted the twelve (12) month period ending June 30, 1980, for the purpose of determining the reasonableness of the proposed rates. Proforma adjustments have been included where found to be just and reasonable.

REVENUES AND EXPENSES

The Applicant proposed several proforma adjustments to its operating statement¹ and the Commission is of the opinion that these adjustments are necessary to present a fair and accurate description of the Applicant's operations, with the following exception:

1) Response to Commission Order, dated October 20, 1980

The Applicant proposed a depreciation expense of \$2,650. The Commission is of the opinion that the allowance for depreciation expense should be computed on the basis of the original cost of utility plant in service less contributions in aid of construction, as the Applicant paid or is paying only for the non-contributed assets and should not be permitted recovery on plant provided free of cost. Therefore, the Commission has determined that the appropriate allowance for depreciation is \$2,194.²

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

	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted</u>
Operating Revenues	\$17,210	(\$ 247)	\$16,963
Operating Expenses	<u>10,986</u>	<u>\$ 7,293.50</u>	<u>\$18,279.50</u>
Operating Income	\$ 6,224	(\$ 7,540.50)	(\$ 1,316.50)
Interest Income	120		120
Interest Expense	<u>4,962</u>		<u>4,962</u>
Net Income (Loss)	<u>\$ 1,382</u>		<u>(\$ 6,158.50)</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 proposed by the Applicant as set out in Appendix "A", attached hereto and made a part hereof, should produce revenues sufficient for the Applicant to meet its expenses and provide a net income of \$1,178 and that these are the fair, just, and reasonable rates to be charged by the Applicant to its customers for water service.

(2) That the Applicant should file within thirty (30) days of the effective date of this Order its revised tariff sheets setting forth its rates and all rules and regulations of the utility.

Calculations:

2) Plant in Service	\$106,015
Contribution in Aid of Construction	<u>18,253</u>
	\$ 87,762
X Cumulative - depreciation rate	<u>2.5%</u>
	<u>\$ 2,194.05</u>

ORDERS IN THIS MATTER

The Commission, on the basis of the findings hereinbefore set forth and the evidence of record in this matter:

HEREBY ORDERS that the rates proposed by the Applicant and set out in Appendix "A", attached hereto and made a part hereof are the fair, just and reasonable rates to be charged by the Applicant for water service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the Applicant file with this Commission within thirty (30) days of this Order its revised tariff sheets setting forth its rates and all rules and regulations of the utility.

Done at Frankfort, Kentucky, this 19th day of March, 1981.

PUBLIC SERVICE COMMISSION

Marlin W. Vohy
Chairman

Did not participate
Vice Chairman

Len Harrison
Commissioner

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 7946 DATED MARCH 19,
1981

The following rates are prescribed for the customers in the area served by South Marshall 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 date of this Order.

5/8" Meter Connection	
First 2,000 Gallons	\$ 7.25 (Minimum Bill)
Next 13,000 Gallons	2.00 per 1,000 Gallons
Over 15,000 Gallons	1.25 per 1,000 Gallons
3/4" Meter Connection	
First 2,000 Gallons	\$10.00 (Minimum Bill)
Next 13,000 Gallons	2.00 per 1,000 Gallons
Over 15,000 Gallons	1.25 per 1,000 Gallons
1" Meter Connection	
First 2,000 Gallons	\$14.00 (Minimum Bill)
Next 13,000 Gallons	2.00 per 1,000 Gallons
Over 15,000 Gallons	1.25 per 1,000 Gallons
1½" Meter Connection	
First 2,000 Gallons	\$17.00 (Minimum Bill)
Next 13,000 Gallons	2.00 per 1,000 Gallons
Over 15,000 Gallons	1.25 per 1,000 Gallons
2" Meter Connection	
First 2,000 Gallons	\$22.00 (Minimum Bill)
Next 13,000 Gallons	2.00 per 1,000 Gallons
Over 15,000 Gallons	1.25 per 1,000 Gallons
3" Meter Connection	
First 2,000 Gallons	\$42.00 (Minimum Bill)
Next 13,000 Gallons	2.00 per 1,000 Gallons
Over 15,000 Gallons	1.25 per 1,000 Gallons
4" Meter Connection	
First 2,000 Gallons	\$87.00 (Minimum Bill)
Next 13,000 Gallons	2.00 per 1,000 Gallons
Over 15,000 Gallons	1.25 per 1,000 Gallons