

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HICKORY WATER )  
DISTRICT, OF GRAVES COUNTY, )  
KENTUCKY, FOR (1) A CERTIFICATE )  
OF PUBLIC CONVENIENCE AND NECES- )  
SITY, AUTHORIZING AND 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 )

CASE NO. 8355

SUPPLEMENTAL ORDER

Background

On September 28, 1981, Hickory Water District ("Hickory") filed an application seeking a certificate of public convenience and necessity authorizing service extensions, additions and improvements to the existing water distribution system, approval of construction financing, and approval of increased water rates.

On October 28, 1981, the Commission held a public hearing to consider Hickory's application for a certificate of public convenience and necessity and its method of financing. On December 2, 1981, the Commission entered an order granting Hickory's certificate of public convenience and necessity and

approving its method of financing. This order was amended on December 15, 1981, to defer consideration of Hickory's application for increased water rates.

On December 22, 1981, the Commission held a public hearing to consider Hickory's application for increased water rates. On April 16, 1982, the Commission entered an order approving increased water rates. Subsequently, by correspondence dated April 23, 1982, Hickory petitioned for rehearing alleging certain omissions in the Commission's order of April 16, 1982.

#### Opinions and Findings

At the public hearing on December 22, 1981, Hickory orally amended its application to modify its original rate request and include other rates and charges, specifically, increased water connection, deposit, and service charges.<sup>1/</sup>

The Commission has reviewed the record, and reconsidered the entire matter, and finds that no evidence supporting the requested changes in the tariff for connection, deposit, and other service charges was offered by Hickory. For this reason, the changes are denied.

The Commission notes that many utilities under its jurisdiction have recently been having difficulty justifying charges of the general character involved in this case, and complying with the Commission's regulations and policies with respect to them. It may be of value to Hickory and others similarly situated briefly to review this situation, and to point out some of the reasons the Commission denies such charges.

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<sup>1/</sup>Transcript of Evidence, December 22, 1981, pages 4-8.

First, with respect to minimum monthly water rates, the rate appendix established a declining block rate schedule which included a minimum bill with a usage allowance, followed by several corresponding consumption and rate steps, applicable to all customers. Hickory did not present evidence to justify minimum bill differentials based on meter size, either in terms of cost or billing data. In the absence of such evidence, the Commission is in no position to authorize minimum bill differentials based on meter size. Moreover, the Commission does not favor differing minimum bill provisions, particularly for the utility with a small number of commercial and industrial customers. In many cases, eliminating minimum bill differentials will enable the utility to simplify its billing procedure and realize some benefit from management efficiency.

Second, Hickory did not present evidence to support increased meter connection charges, either in the Lowes extension or other service areas. The administrative regulations of the Commission concerning rules of procedure state:

When the utility seeks to adjust any rate, toll, charge, or rental, so as to alter any classification, contract, practice, rule or regulation as to result in any change in any rate, toll, charge, or rental, the applicant...shall submit...a statement setting forth estimates of the effect that the new rate or rates will have upon the revenues of the utility, the total amount of money resulting from the increase or decrease, the percentage of increase or decrease, and the effect upon average consumer bills.2/

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2/807 KAR 5:001, Section 9(1,1e).

In addition, the administrative regulations of the Commission concerning tariffs state:

All tariff filings [or other applications] which involve the furnishing of...services to the customer by the utility shall be accompanied by a description of the equipment or service involved in the filing and a cost of service study justifying the proposed charges.<sup>3/</sup>

In this case, Hickory did not present data to evaluate the revenue requirement and revenue effect of increased meter connection charges nor did it present cost data on the basis of which the Commission would normally establish meter connection charges. Therefore, the Commission is in no position to authorize increased meter connection charges.

Third, Hickory's proposed "regular deposit" of \$20 does not comply with the Commission's administrative regulation concerning deposits. That regulation provides:

A utility may require from any customer or applicant for service a minimum cash deposit or other guaranty to secure payment of bills of an amount not to exceed two-twelfths (2/12) of the estimated annual bill of such customer or applicant...<sup>4/</sup> (Emphasis supplied.)

The administrative regulation does not allow a flat deposit amount. Instead, it permits necessary management flexibility and refers to two-twelfths of the estimated annual bill of a customer or applicant. Since Hickory's authorized minimum monthly bill is \$4.50 and includes a usage allowance, it is

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<sup>3/</sup>807 KAR 5:011, Section 6(2c).

<sup>4/</sup>807 KAR 5:006, Section 7(1).

possible that a customer's deposit requirement would not exceed \$9. In other instances, the deposit requirement could exceed \$20.

Finally, as with the proposed meter connection charges, Hickory did not present evidence to support increased service charges, either in the form of revenue requirement and revenue effect or in the form of cost data, on the basis of which the Commission would normally establish service charges. Commission regulations concerning special charges do not permit a disconnection charge. However, a reconnection charge is permitted when "service has been disconnected for nonpayment of bills or for violation of the utility's rules and regulations. This charge may include the cost of disconnecting the service."5/ Customer-requested disconnections, transfers, and reconnections are covered elsewhere in the Commission's administrative regulations.6/

Having reconsidered the record, and being advised, the Commission THEREFORE ORDERS that Hickory's request for authorization of increased minimum bills based on meter size, increased meter connection charges, increased deposit amounts, and increased service charges be and it hereby is denied.

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5/807 KAR 5:006, Section 12(1c).

6/807 KAR 5:006, Section 10.

Done at Frankfort, Kentucky, this 17th day of May, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. V. St.  
Chairman

Katharine Bundall  
Vice Chairman

Don R. C. ...  
Commissioner

ATTEST:

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Secretary