

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE COUNTY OF )  
HARLAN, KENTUCKY, FOR (1) A CER- )  
TIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY, AUTHORIZING AND )  
PERMITTING SAID COUNTY TO CON- )  
STRUCT A NEW WATERWORKS SYSTEM, )  
CONSISTING OF A WATER TREATMENT ) CASE NO. 9001  
PLANT, PUMPING STATION, AND THE )  
NECESSARY DISTRIBUTION LINES TO )  
SERVE WATER TO THE LOUELLEN )  
CLOVER/DARBY SECTION OF SAID )  
COUNTY: AND (2) APPROVAL OF )  
PROPOSED PLAN OF FINANCING OF )  
SAID PROJECT )

INTERIM ORDER

On March 21, 1985, the County of Harlan, Kentucky, ("Harlan County") filed an application with the Commission seeking approval of initial rates for a water distribution system in Harlan County, Kentucky. The Commission in a previous Order entered April 24, 1984, approved the construction and financing of the water system; therefore, this Order will address only the request for establishment of initial rates.

The rates proposed would produce annual revenue of \$15,600 based upon 100 customers. Based on the determination herein, the Commission has granted Harlan County an initial rate that will produce annual revenue of \$10,200.

A hearing was held on May 16, 1985, in the Commission's offices in Frankfort, Kentucky. There were no intervenors and no protests were entered.

Commentary

The water system whose construction was approved in the Commission's Order of April 24, 1984, began operation in September 1984. Since that time the water system users have been receiving water service at no charge. Harlan County has been subsidizing the operation and maintenance of the water system from its own resources. During this period Harlan County has not maintained an accurate record of the expenses associated with the operation of the water system in conformance with the Uniform System of Accounts. Furthermore, since Harlan County only began operation of the water system in September 1984, historical financial data for a 12-month period are not available for determination of the system's revenue requirements. Estimated pro forma expenses were, therefore, utilized for the determination of revenue requirements and the rates that should produce this required revenue.

On April 26, 1985, the Commission staff submitted a report for the record containing the staff estimate of expected expenses of the water system. The staff report recommended an initial monthly flat rate of \$8.50 per customer. At the hearing in this matter held May 16, 1985, Harlan County stated for the record that it accepted the

Commission staff's recommendation of the initial rate of \$8.50 per month per customer.

Findings and Orders

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. An initial monthly flat rate of \$8.50 per customer will produce gross annual revenue of \$10,200 and is the fair, just and reasonable rate to be charged, in that it will allow Harlan County to pay its operating expenses while it is collecting the necessary documentation for a permanent rate structure.

2. The rates proposed by Harlan County should be denied.

3. Harlan County should begin immediately to maintain records of the water system in conformance with the Uniform System of Accounts.

4. Harlan County should file with the Commission a beginning balance sheet reflecting the original cost of plant in service properly classified, and other asset and liability accounts appropriately established according to the Uniform System of Accounts within 30 days of the date of this Order.

5. Harlan County should file with the Commission a copy of its monthly operating statement prepared in accordance with the Uniform System of Accounts, commencing with

June 1985. Each statement should be filed no later than 30 days after the end of each calendar month.

6. Harlan County should begin immediately to make monthly readings of customers' water meters and to maintain records of the monthly usage of each individual customer in conformance with 807 KAR 5:066.

7. In order that the Commission may have a 12-month period for determination of the water system's revenue requirements, Harlan County should petition the Commission for a permanent rate structure based on its actual cost of service and individual customer usage as soon as 12 months' actual financial data are available, but no later than 14 months from the date of this Order.

8. The rates approved in this Order are initial rates and should expire 14 months from the date of this Order, unless Harlan County has by that time filed a petition with the Commission for a permanent rate structure.

IT IS THEREFORE ORDERED that the rates proposed by Harlan County be and they hereby are denied.

IT IS FURTHER ORDERED that the initial rate of \$8.50 per month per each customer be and it hereby is approved for service rendered by Harlan County on and after the date of this Order.

IT IS FURTHER ORDERED that within 30 days of the date of this Order Harlan County shall file a tariff sheet setting forth the initial rate approved herein.

IT IS FURTHER ORDERED that Harlan County shall begin immediately to maintain records of the water system in conformance with the Uniform System of Accounts.

IT IS FURTHER ORDERED that Harlan County shall file with the Commission a beginning balance sheet reflecting the original cost of plant in service properly classified, and other asset and liability accounts appropriately established according to the Uniform System of Accounts within 30 days of the date of this Order.

IT IS FURTHER ORDERED that Harlan County shall file with the Commission a copy of its monthly operating statement prepared in accordance with the Uniform System of Accounts commencing with June 1985. Each statement shall be filed no later than 30 days after the end of each calendar month.

IT IS FURTHER ORDERED that Harlan County shall begin immediately to make monthly readings of customers' water meters and to maintain records of the monthly usage of each individual customer in conformance with 807 KAR 5:066.

IT IS FURTHER ORDERED that Harlan County shall petition the Commission for a permanent rate structure as soon as 12 months' actual financial data are available, but no later than 14 months from the date of this Order.

IT IS FURTHER ORDERED that the rates in this Order shall expire 14 months from the date of this Order, unless Harlan County has by that time filed a petition with the Commission for a permanent rate structure.

Done at Frankfort, Kentucky, this 20th day of June, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Hemminger  
Chairman

Richard D. Hemminger  
Vice Chairman

James H. Smith  
Commissioner

ATTEST:

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Secretary