

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF SOUTHEAST )  
DAVIESS COUNTY WATER DISTRICT )  
FOR A RATE REVISION FOR NON- ) CASE NO. 9147  
RECURRING CHARGES PURSUANT TO )  
807 KAR 5:011(10) )

O R D E R

On September 26, 1984, the Southeast Daviess County Water District ("S.E. Daviess") filed with the Commission an application for a rate revision for non-recurring charges under 807 KAR 5:011, Section 10. The proposed changes would increase the charges for deposits for service, meter testing, meter or service investigations, returned checks, meter connections and service charges for delinquent accounts.

On October 18, 1984, the Commission requested that S.E. Daviess provide information on its ability to absorb the costs, and provide evidence which would show that the additional net income generated by the filing would not result in an increase in rate of return to a level greater than that which was allowed in the most recent rate case. The response to this request was filed on October 26, 1984. The Commission's review of the record revealed that S.E. Daviess achieved a Debt Service Coverage Ratio ("DSC") of 1.21X in 1983 and that the additional revenue from the proposed increase in non-recurring charges would result in a DSC of 1.30X. The Commission generally allows water districts with

financing arrangements similar to S.E. Daviess a 1.2X DSC. The Commission, therefore, decided to defer its final decision until after receipt of the 1984 Annual Report so that relevant information contained therein could be considered in the final disposition of this proceeding.

S.E. Daviess filed its 1984 Annual Report with the Commission on April 2, 1985. A review of the Annual Report reflected that S.E. Daviess had achieved a DSC of 1.17X in 1984. The additional revenue which would result from the proposed increase in non-recurring charges would increase S.E. Daviess' DSC to 1.27X. As current Commission guidelines require that proposed increases in charges resulting in excess earnings be disallowed, it is the Commission's finding that the proposed rate revision for non-recurring charges should be denied.

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

1. S.E. Daviess' DSC for the calendar years 1983 and 1984 were 1.21X and 1.17X, respectively, which are adequate earnings in relation to earnings typically allowed water districts with similar financing arrangements. The proposed rate revision for non-recurring charges would result in excessive earnings and, therefore, should be denied.

IT IS THEREFORE ORDERED that S.E. Daviess' application for a rate revision for non-recurring charges under 807 KAR 5:011, Section 10, be and it hereby is denied.

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

PUBLIC SERVICE COMMISSION

Richard D. Hermann, Jr.  
Chairman

Richard L.  
Vice Chairman

Jim Shultz  
Commissioner

ATTEST:

Secretary