

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR RATE ADJUSTMENT FOR)
WEST OLDHAM UTILITIES, INC. PURSUANT) CASE NO. 9537
TO 807 KAR 5:076)

O R D E R

On March 27, 1986, West Oldham Utilities, Inc., ("West Oldham") filed its application seeking to increase its rates for water service pursuant to 807 KAR 5:067, Alternative Rate Procedure for Small Utilities ("ARF"). The proposed rates would generate additional revenues of \$6,229 on an annual basis, an average increase of approximately 6 percent in the rates currently being charged.

A hearing was not requested in this matter and in accordance with the provisions of the ARF no hearing was conducted. The decision of the Commission is based on information contained in the application, written submissions, annual reports and other documents on file in the Commission's offices. Based on the findings herein the Commission has allowed an increase in revenues of \$5,539 annually.

REVENUES AND EXPENSES

West Oldham reported net operating income of \$12,546 for the test period ending December 31, 1985. In order to reflect current operating conditions West Oldham proposed an adjustment to operating expenses in the amount of \$3,679 to reflect an increase in

purchased water expense. Based on the current rates charged by West Oldham's supplier, Louisville Water Company, the Commission finds this adjustment to be acceptable for rate-making purposes.

Furthermore the Commission has increased West Oldham's operating expenses by \$836 to reflect the increase in income taxes due to the additional revenues granted in this case.

The above adjustments to West Oldham's test period operations produced the following results:

| | <u>Actual</u> | <u>Adjustments</u> | <u>Adjusted</u> |
|-------------------|------------------|------------------------|-----------------|
| Operating Revenue | \$106,688 | -0- | \$106,688 |
| Operating Expense | 94,142 | \$4,515 | 98,657 |
| Operating Income | <u>\$ 12,546</u> | <u><\$4,515></u> | <u>\$ 8,031</u> |

REVENUE REQUIREMENTS

The Commission determined West Oldham's annual debt service to be \$16,435 based on outstanding debt at the end of the test period.¹ West Oldham's adjusted operating income of \$8,031 plus other income of \$6,152 provides a debt service coverage ("DSC") of .86X. It is the Commission's judgment that a DSC of 1.2X will allow West Oldham to cover its operating expenses, service its debt, and provide an adequate return to its stockholders. The increase in revenues allowed in this proceeding will provide West Oldham with a DSC of 1.2X.

In addition, the Commission has determined West Oldham's net investment at the end of the test period to be \$163,017, inclusive

¹ \$125,000 X .13148 (Amortization Factor) = \$16,435.

of a cash working capital allowance of \$10,943. West Oldham's adjusted operations plus other income and the revenue increase allowed in this proceeding will provide West Oldham with a return on net investment of 12.1 percent. The Commission is of the opinion that a rate of return of 12.1 percent is adequate given the current economic conditions.

SUMMARY

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

1. The rates proposed by West Oldham produce annual revenues in excess of those found reasonable herein and should be denied upon application of KRS 278.030.

2. The rates in Appendix A are the fair, just and reasonable rates for West Oldham to charge for water service.

IT IS THEREFORE ORDERED that:

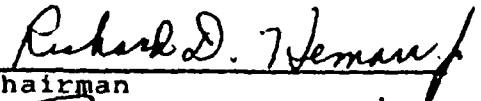
1. The rates proposed by West Oldham be and they hereby are denied.

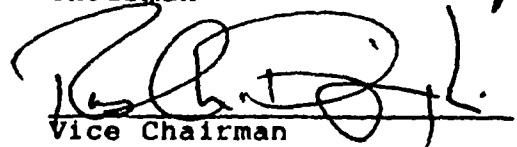
2. The rates in Appendix A be and they hereby are approved as the fair, just and reasonable rates for water service rendered by West Oldham on and after the date of this Order.

3. Within 30 days from the date of this Order, West Oldham shall file with this Commission its revised tariff sheets setting out the rates for water service approved herein.

Done at Frankfort, Kentucky, this 17th day of June, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9537 DATED 6/17/86

The following rates and charges are prescribed for customers receiving water service from West Oldham Utilities, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

5/8-Inch X 3/4-Inch Meter

Usage Blocks

Monthly Rates

First 2,000 gallons
Over 2,000 gallons

\$9.20 Minimum
2.00 per 1,000 gallons

1-Inch Meter

First 10,000 gallons
Over 10,000 gallons

\$45.95 Minimum
2.00 per 1,000 gallons

1 1/2-Inch Meter

First 20,000 gallons
Over 20,000 gallons

\$91.90 Minimum
2.00 per 1,000 gallons