

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NORTH MARSHALL)
WATER DISTRICT FOR THE INCREASE)
OF CERTAIN NON-RECURRING CHARGES) CASE NO. 9652
AND REVISED POLICIES)

O R D E R

On April 16, 1986, North Marshall Water District ("North Marshall") filed tariffs with the Public Service Commission ("Commission") seeking to increase tap fees and certain non-recurring charges and requesting approval of revised operating policies. No effective date was proposed.

The cover letter accompanying the filing indicates that its intention is to adjust the fees in its overall connection fee schedule which includes meter sizes from 5/8-inch through 4-inch meters; however, cost data was submitted for the 1-inch meter only, and neither this amount nor changes in fees for other meter sizes are reflected in the schedule of rates filed by North Marshall. North Marshall should, therefore, file a revised rate schedule showing the connection fee it proposes to charge for each size meter.

In addition, pursuant to 807 KAR 5:011, Section 10, North Marshall must submit to the Commission the following information:

(1) Each requested rate revision must be accompanied by:

(a) A specific cost justification for the proposed rates and a full description of the equipment or service provided under

tariff (807 KAR 5:001, Section 6(2c)). The proposed rates should at least cover incremental costs, and a reasonable contribution to overhead. Incremental costs are defined as those costs which would be specifically incurred in the provision of this service.

(b) A copy of the public notice of each requested rate revision and verification that it has been made pursuant to 807 KAR 5:011, Section 8. In addition to the notice requirements contained in Section 8 of this regulation, the utility shall also mail a copy of its filing to the Attorney General's Consumer Protection Division. The Attorney General will then have 10 days to notify the Commission in writing if it requests a hearing in a particular case.

(c) A detailed statement explaining why the proposed changes could not have been included in the most previous general rate case, and why current conditions prevent deferring the proposed changes until the next general rate request.

(d) An impact statement identifying the group of customers affected by the proposed tariff. The impact statement shall identify potential as well as existing customers.

(e) A copy of the utility's income statement and balance sheet for a recent 12-month period.

(2) If the additional revenue to be generated from the proposed tariff revisions exceeds by 5 percent the total revenues provided by all miscellaneous and non-recurring charges for a recent 12-month period, the utility must file, in addition to the information set out in (1)(a) above, the following: An absorption test showing that the additional net income generated by the

tariff filing will not result in an increase in the rate of return (or other applicable valuation methods) to a level greater than that which was allowed in the most recent rate case. Any general rate increases received during the 12-month period must be annualized. Any significant cost changes may be included but must be documented as part of the filing.

There is no need for an absorption test in relation to tap on fees. These charges are properly accounted for as a capital expenditure. They are not recorded as revenues and have no impact on the district's income statement.

IT IS THEREFORE ORDERED that:

1. Within 30 days from the date of this Order, North Marshall shall file with the Commission all information as herein prescribed.

Done at Frankfort, Kentucky, this 1st day of August, 1986.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director