

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE HARDIN COUNTY)
WATER DISTRICT NO. 1 FOR AN IMMEDIATE)
ORDER AUTHORIZING A GENERAL RATE) CASE NO. 9879
INCREASE FOR DIRECT IMPLEMENTATION OF)
ITS RATES ON AN EMERGENCY BASIS)

O R D E R

On March 9, 1987, Hardin County Water District No. 1 ("Hardin") filed its application seeking an emergency increase in rates for metered water sales. This application was filed after a review of the financial condition of the district by the Commission's staff suggested that Hardin submit an application for interim rate relief as soon as practicable.¹

The Commission held a public hearing in its offices in Frankfort, Kentucky, on April 15, 1987, to consider Hardin's request for emergency relief.

COMMENTARY

Hardin has not sought a general rate increase since 1981. Because of this failure to seek timely rate relief and the extraordinary expenses incurred as a result of two major accidents since July 1985, Hardin is now unable to meet the current cash requirements necessary to provide reliable service to its customers or meet its operating expenses in a timely and

¹ Report on Technical Assistance, Hardin County Water District No. 1, September 11, 1986.

financially acceptable manner. Financial information filed with the application in this case indicates that Hardin incurred a net loss of approximately \$308,000 for the calendar year ended December 31, 1986. This net loss will be reduced to \$283,000 when adjusted for \$25,000 of additional revenues to be realized as a result of increased wholesale rates granted by this Commission in Case No. 9852.²

It has been necessary for Hardin to utilize depreciation reserves in an effort to meet extraordinary expenses. As a result, the depreciation fund is currently maintaining a zero balance and provides no assistance with regard to cash flow relief.

In addition to the cash flow problems caused by normal operating expenses, there are numerous expenditures which need to be incurred for improvements, repairs and maintenance. Some of these improvements include those required by the Commission to comply with their employee and public safety standards as recommended in Case No. 9671.³

Hardin's Commissioners have taken a 33 1/3 percent reduction in compensation and several needed improvements have been postponed in an effort by Hardin to help alleviate immediate cash flow problems.

² Hardin County Water District No. 1 for a Tariff Rate Increase for Two Wholesale Water Customers.

³ Kentucky Public Service Commission vs. Hardin County Water District No. 1, Report on the Collapse of a Hardin County Water District #1 Standpipe, April 30, 1986.

It should be noted that the financial information presented in the application appears to be somewhat unreliable, particularly with regard to the billing analysis and usage figures. However, it is the Commission's opinion that, based on an analysis of the data provided and testimony at the hearing, the requested rate increase is necessary and not unreasonable.

SUMMARY

The Commission finds that an emergency exists and that Hardin's credit or operations will be materially impaired or damaged unless an interim increase is granted immediately.

Accordingly, the Commission finds that Hardin should be granted the proposed interim rates as set out in Appendix A of this Order, subject to refund pending final determination of Hardin's application for rate relief.

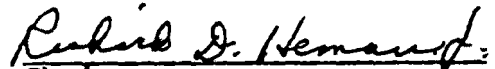
IT IS THEREFORE ORDERED that:


1. Hardin County Water District No. 1 is hereby authorized to place into effect an interim rate as set forth in Appendix A for service rendered on and after the date of this Order.
2. The revenue from this interim rate shall be collected subject to refund.
3. Hardin shall maintain its records in such manner as will enable it, the Commission or any of its customers to determine the amounts to be refunded and to whom due in the event a refund is ordered by the Commission.

4. Hardin shall furnish the Commission within 20 days of the date of this Order its revised tariff sheet setting forth the interim rate approved herein.

Done at Frankfort, Kentucky, this 6th day of May, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9879 DATED 5/6/87

The following rates and charges are prescribed for the customers in the area served by Hardin County Water District No. 1. 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.

<u>USAGE BLOCKS</u>	<u>MONTHLY RATES</u>
First 2,000 gallons	\$5.50 Minimum
Next 13,000 gallons	1.47 per 1,000 gallons
Over 15,000 gallons	1.00 per 1,000 gallons
<u>Wholesale</u>	
All Usage	\$.8325 per 1,000 gallons