

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WESTERN LEWIS-RECTORVILLE )  
WATER DISTRICT, MASON AND LEWIS COUNTIES, )  
KENTUCKY, (1) FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY AUTHORIZING SAID )  
DISTRICT TO CONSTRUCT MAJOR WATER SYSTEM ) CASE NO.  
ADDITIONS PURSUANT TO THE PROVISIONS OF ) 9948  
CHAPTER 74 OF THE KENTUCKY REVISED STATUTES; )  
(2) SEEKING APPROVAL OF WATER SERVICE RATES )  
AND CHARGES WITH RESPECT TO SUCH ADDITIONS; )  
AND (3) SEEKING APPROVAL OF THE ISSUANCE OF )  
CERTAIN SECURITIES )

O R D E R

On June 10, 1987, Western Lewis-Rectorville Water District ("Western Lewis") filed an application requesting approval of a construction project, financing of the project, and authority to increase rates. KRS 278.190(3) requires the Commission to decide a rate case within 10 months from the date of filing. Western Lewis' bid opening is scheduled for April 29, 1988. Due to the 10-month limitation expiring April 10, 1988, the Commission will not have sufficient information to render a final decision concerning the construction, financing, and the required revenue increase.

Between April 6 and May 15, 1987, the Commission Staff performed an extensive examination of Western Lewis' test period financial records and issued a staff report on November 4, 1987, containing its recommendations. In its report, Staff recommended that Western Lewis be granted an increase in annual revenues of

\$20,786, including costs associated with the proposed construction project. However, Staff has reevaluated Western Lewis' revenue requirement and, based upon exclusion of proposed construction costs, has arrived at a revised recommended increase of \$12,875.<sup>1</sup>

The Commission is of the opinion that considering the record in this case, a decision on the proposed construction and plan of financing cannot be rendered at this time. After careful review and investigation of Staff's initial and revised recommendations the Commission affirms Staff's revised recommended increase of \$12,875. This should allow Western Lewis adequate cash flow to meet its obligations and provide for future equity growth.

Since the construction and financing portion of this case will be dismissed, the Commission advises Western Lewis that upon filing for Commission approval of its proposed construction and financing it should seek the additional revenues required by the proposed construction project.

#### RATE DESIGN

In its application, Western Lewis proposed a rate schedule and charges that would apply only to customers in the proposed project area. The existing customers would remain under the existing rates and charges. In its report Staff disagreed with

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<sup>1</sup> Original Bonds - Debt Service	\$ 22,666
DSC of 20%	4,533
Adjusted Operating Expense Less Cost Due to Construction	94,392
Required Revenue	<u>\$121,591</u>
Test-Period Adjusted Revenue	<108,716>
Revised Amount of Increase	<u>\$ 12,875</u>

Western Lewis' proposal and recommended that a uniform rate schedule for the entire system would be more appropriate. Staff also recommended that the proposed tap fee be accepted, but that it apply only to customers in the project area.

The Commission is of the opinion that the increase in rates should reflect the revenue requirement granted in this Order and should be applicable under a uniform rate schedule. Furthermore, due to the status of the construction project, the tap fee proposed by Western Lewis for customers in the project cannot be approved. Therefore, the rates and charges in Appendix A should produce revenue sufficient to cover Western Lewis' operating expenses and should be approved for services rendered.

#### FINDINGS AND ORDERS

1. The rates and charges proposed by Western Lewis would produce revenues in excess of those found reasonable herein and should be denied.
2. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by Western Lewis in that they should produce annual revenues of \$121,591.
3. Within 30 days of the date of this Order, Western Lewis should file with this Commission its revised tariff setting out the rates approved herein.
4. Western Lewis' application regarding construction and financing should be dismissed without prejudice.
5. Upon receipt of bids, Western Lewis should file a Motion to reopen this case and seek a Commission Order based on facts already in the record.

IT IS THEREFORE ORDERED that:

1. The rates and charges requested by Western Lewis be and they are hereby denied.

2. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by Western Lewis on and after the date of this Order.

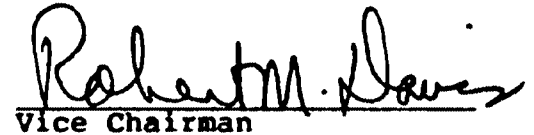
3. Within 30 days of the date of this Order, Western Lewis shall file with this Commission its revised tariff setting out the rates approved herein.

4. Western Lewis' application regarding construction and financing is hereby dismissed without prejudice.

Done at Frankfort, Kentucky, this 8th day of April, 1988.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 9948 DATED April 8, 1988

The following rates and charges are prescribed for the customers in the area served by Western Lewis Rectorville Water District. 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>Gallonage Block</u>	<u>Rate</u>
First 1,000 gallons	\$4.50 Minimum Bill
Next 4,000 gallons	1.90 per 1,000 gallons
Next 10,000 gallons	1.35 per 1,000 gallons
Over 15,000 gallons	1.10 per 1,000 gallons
Truck Sales	3.75 per 1,000 gallons
<u>Connection Fee</u>	Regular \$410