

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HARDIN COUNTY WATER)
DISTRICT NO. 1, A WATER DISTRICT ORGANIZED)
PURSUANT TO CHAPTER 74 OF THE KENTUCKY)
REVISED STATUTES, IN HARDIN COUNTY,)
KENTUCKY, FOR (1) A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY AUTHORIZING AND)
PERMITTING SAID WATER DISTRICT TO) CASE NO.
CONSTRUCT WATER STORAGE AND DISTRIBUTION) 10189
SYSTEM IMPROVEMENTS, CONSISTING OF)
ELEVATED STORAGE TANKS, AND WATER TRANS-)
MISSION LINES (THE PROJECT); (2) APPROVAL)
OF THE PROPOSED PLAN OF FINANCING OF SAID)
PROJECT; AND (3) APPROVAL OF INCREASED)
WATER RATES PROPOSED TO BE CHARGED BY THE)
DISTRICT TO ITS RETAIL AND WHOLESALE)
CUSTOMERS)

ORDER

Hardin County Water District No. 1 ("Hardin County No. 1") filed an application on March 30, 1988, for an adjustment of rates to increase its annual revenues by \$995,594 and for Commission approval of its proposed construction and financing plans. On May 31, 1989, it amended this application to request a rate adjustment to produce additional annual revenues of \$1,456,502 over current annual revenues.

Hardin County No. 1 is organized pursuant to the provisions of KRS Chapter 74 and provides service to 7,431 customers in Hardin County, Kentucky, including the City of Vine Grove and Hardin County Water District No. 2 ("Hardin County No. 2").

The Commission granted motions to intervene filed by the Utility and Rate Intervention Division of the Office of Attorney

General ("AG"), Hardin County No. 2, and Joseph Janes and Kimberley Ann Nunn, customers of Hardin County No. 1. All but Ms. Nunn were granted full intervenor status. Ms. Nunn was granted limited intervenor status.

After extensive discovery, including prefiled testimony, a hearing for the purpose of cross-examination of the witnesses of Hardin County No. 1, the intervenors, and Commission Staff was held in the Commission's offices in Frankfort, Kentucky on April 12-14 and 17, 1989. All parties of record, save Ms. Nunn, appeared and participated fully in the hearing.

During the hearing, the AG, Hardin County No. 2 and Mr. Janes jointly moved to dismiss that portion of Hardin County No. 1's application which sought Commission approval of a \$3.6 million construction project and associated financing due to Hardin County No. 1's failure to demonstrate the proposed construction project's feasibility. This motion was granted on May 15, 1989.

Following the close of hearings in this case, Hardin County No. 1, Hardin County No. 2, the AG, Mr. Janes and Commission Staff conferred to discuss possible settlement of the remaining issues of this case. As a result of these conferences, a Settlement Agreement, attached hereto as Appendix A, was executed and subsequently submitted to the Commission on May 18, 1989 for its review and approval. Pursuant to the terms of the Settlement Agreement, Hardin County No. 1 would be granted a revenue increase of \$503,797 over adjusted test year operating revenues of \$1,715,014 and would also be authorized to issue \$1.22 million in revenue bonds to be used solely to retire its 1989 Bond Antici-

pation Notes and to cover the cost of the bond issuance and associated costs.

The Commission, having reviewed the Settlement Agreement and the evidence of record and being sufficiently advised, is of the opinion and finds that:

1. The Settlement Agreement strikes a reasonable compromise between the positions advocated by Hardin County No. 1, the intervenors, and the Commission Staff and is supported by substantial evidence in the record.

2. The rate design provided for in the Settlement Agreement is in conformity with generally accepted rate making standards.

3. The terms of the Settlement Agreement result in the rates set forth in Appendix B which are fair, just and reasonable and should be approved for service rendered by Hardin County No. 1 on and after the date of this Order.

4. The issuance of \$1.22 million in revenue bonds by Hardin County No. 1 is for lawful objects within its corporate purposes, is necessary for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. The terms and conditions set forth in the Settlement Agreement are adopted and approved.

2. The Settlement Agreement, attached hereto as Appendix A, is incorporated into this Order as if fully set forth herein.

3. The rates set forth in Appendix B to this Order are approved for service rendered by Hardin County No. 1 on and after the date of this Order.

4. Hardin County No. 1 is authorized to issue and sell \$1.22 million in revenue bonds to be used solely for the purpose of retiring the 1989 Bond Anticipation Notes, and to cover the cost of issuance, underwriters discount, legal fees, and other associated costs.

5. After the issuance of the securities authorized herein, Hardin County No. 1 shall promptly inform the Commission in writing of the date of the securities' issuance, price, interest rate and purchasers, and all fees and expenses, including underwriting discounts, commissions, or other compensation, involved in the issuance and distribution.

6. Within 30 days of the date of this Order, Hardin County No. 1 shall file its revised tariff setting forth the rates approved in Appendix B.

Done at Frankfort, Kentucky, this 5th day of May, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

FILED

MAY 25 1989

PUBLIC SERVICE
COMMISSION

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THE APPLICATION OF HARDIN COUNTY WATER)
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PURSUANT TO CHAPTER 74 OF THE KENTUCKY)
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WATER RATES PROPOSED TO BE CHARGED BY THE)
DISTRICT TO ITS RETAIL AND WHOLESALE)
CUSTOMERS)

CASE NO.
10189

SETTLEMENT AGREEMENT

WHEREAS, Hardin County Water District No. 1 ("Hardin County No. 1") filed an application with the Public Service Commission ("Commission") on March 30, 1988 seeking approval of its proposed construction, financing, and rate increase to produce an annual increase in revenue of \$995,594;

WHEREAS, Hardin County No. 1 on May 31, 1988 amended its application to correct errors in the calculation of its normalized test-year revenue and to revise its propose rate increase to produce additional annual revenue of \$1,456,502;

WHEREAS, the Attorney General, through his Utility and Rate Intervention Division, Hardin County Water District No. 2, and Joseph Janes ("Intervenors") have formally intervened in

Commission proceedings on Hardin County No. 1's application and are the only parties granted full intervenor status;

WHEREAS, on August 15, 1988, the Commission Staff submitted its report on Hardin County No. 1, setting forth its recommendations regarding the revenue and expense adjustments proposed by Hardin County No. 1 and further setting forth a recommended rate design;

WHEREAS, the Commission held a public hearing on Hardin County No. 1's application from April 12 to April 17, 1989 at which Hardin County No. 1 and the Intervenors fully participated;

WHEREAS, during that hearing the Intervenors jointly moved to dismiss that portion of Hardin County No. 1's application which sought Commission approval of a \$3.6 million construction project and associated financing due to Hardin County No. 1's failure to demonstrate the construction project's feasibility;

WHEREAS, the Commission granted the Intervenors' motion on May 15, 1989 and dismissed the portion of Hardin County Water District No. 1's application which sought Commission approval of the proposed construction project and its associated financing; and

WHEREAS, Hardin County No. 1, the Intervenors, and Commission Staff have met since the close of the hearing in this matter and have reached agreement on all outstanding issues.

NOW, THEREFORE, be it resolved that:

1. All signatories agree that Hardin County No. 1 should be granted authority to issue \$1.220 million in revenue bonds to be used solely to retire the 1989 Bond Anticipation Notes, and to

cover cost of issuance, underwriters discount, legal fees associated with current rate case, and other associated costs.

2. The signatories agree that Hardin County No. 1's adjusted operating revenue for the test-year period (September 1, 1986 to August 31, 1987) is \$1,715,014. This amount reflects the loss of \$85,108 in test-year operating revenue due to the termination of Hardin County No. 1's contract with the City of Radcliff for the performance of billing services and increased operating revenue resulting from the establishment of an unnecessary service call charge. A summary of operating revenue is as follows:

| | |
|---|-------------|
| Metered Sales | |
| Residential | \$812,166 |
| Commercial | 163,046 |
| Multi-Unit | 176,245 |
| Sales for Resale (Wholesale) | \$521,196 |
| Penalties, Reconnection Fees and Misc. | 42,361 |
| Total Operating Revenue | \$1,715,014 |

3. The signatories agree that, based upon the Staff Report and testimony at the hearing, Hardin County No. 1's adjusted test-year operating expenses are \$1,511,525. These expenses are summarized below:

| | |
|-------------------------------|-------------|
| Source of Supply | \$ 21,378 |
| Pumping Expense | 416,768 |
| Water Treatment Expense | 284,979 |
| Trans. & Dist. Expense | 33,677 |
| Customer Accounts Expense | 66,188 |
| Administrative & General Exp. | 413,322 |
| Depreciation Expense | 275,213 |
| Total Operating Expenses | \$1,511,525 |

4. The signatories agree that Hardin County No. 1's annual debt service requirement is \$724,541. This figure is based upon Hardin County No. 1's average annual debt service for the years 1990 through 1994.

5. Based upon the agreed upon adjustments to test-year operating revenue, adjusted test-year expenses and debt service coverage, Hardin County No. 1 requires a revenue increase of \$503,797. This increase is calculated as follows:

| | |
|--|--------------------|
| Adjusted Test-Year Operating Expenses | \$1,511,525 |
| Average Annual Debt Service | 557,339 |
| 30 Percent DSC | 167,202 |
| Total Revenue Requirement | \$2,236,066 |
| LESS: Test-Year Revenue from Water Sales | 1,672,653 |
| Test-Year Misc. Operating Revenue | 42,361 |
| Test-Year Interest Income | 17,255 |
| Total Increase Required from Water Sales | <u>\$ 503,797</u> |
| Test-Year Revenue from Water Sales | \$1,672,653 |
| Increase Required from Water Sales | 503,797 |
| Total Revenue Required from Water Sales | <u>\$2,176,450</u> |

6. The following monthly rates will produce operating revenue of \$2,176,450 based upon test-year water sales:

| | |
|--------------------------|----------------------------|
| First 2,000 gallons | \$7.80 Minimum Bill |
| Next 13,000 gallons | 2.07 per 1,000 gallons |
| Over 15,000 gallons | 1.41 per 1,000 gallons |
| City of Vine Grove | \$1.1671 per 1,000 gallons |
| Hardin County W.D. No. 2 | .8684 per 1,000 gallons |

7. The signatories' acceptance of this Agreement does not constitute a waiver of any right accrued under any existing purchase water contract with Hardin County No. 1 nor does it preclude or limit in any manner any signatory's right to assert such contractual rights in future proceedings before the Commission.

8. This Agreement is submitted for purposes of this case only and is not deemed binding upon the signatories hereto in any other proceeding nor is it to be offered or relied upon in any other proceeding involving the signatories.

9. If the Commission adopts this proposal in its entirety, the signatories hereto agree that they shall not file an application for rehearing nor an appeal to the Franklin Circuit Court from such Order.

10. The foregoing Agreement is reasonable, in the best interest of all concerned, will result in fair, just, and reasonable rates, and should be adopted by the Commission in its entirety.

AGREED TO:



Henry M. Reed - Counsel for
Hardin County W.D. No. 1

5-18-89
Date



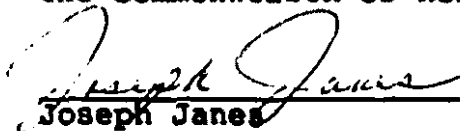
Damon Talley - Counsel for
Hardin County W.D. No. 2.

5-17-89
Date



William Chambliss - Counsel for
the Attorney General for
the Commonwealth of Kentucky

5-18-89
Date



Joseph Janes

5-17-89
Date


Rebecca W. Goodman - Counsel
for Commission Staff

5-22-89
Date

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 10189 DATED 6/5/89

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.

RATES: Monthly

| | |
|--------------------------|----------------------------|
| First 2,000 gallons | \$7.80 Minimum Bill |
| Next 13,000 gallons | 2.07 per 1,000 gallons |
| Over 15,000 gallons | 1.41 per 1,000 gallons |
| City of Vine Grove | \$1.1671 per 1,000 gallons |
| Hardin County W.D. No. 2 | .8684 per 1,000 gallons |

Non-recurring Charges

| | |
|------------------------------------|-----------------------------|
| Returned Check Fee | \$ 7.50 |
| Service Charge | 7.50 |
| Unnecessary Service Call | 15.00 |
| Connection Fees Larger Than 2 Inch | Actual cost of installation |