

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF WESTERN FLEMING)
COUNTY WATER DISTRICT) CASE NO. 10431

O R D E R

On September 19, 1988, Western Fleming County Water District ("Western Fleming") filed revised tariffs with the Public Service Commission ("Commission") seeking approval of increases in its wholesale rates and connection fee and establishment of a reconnection fee. By Order dated December 13, 1988, the Commission requested that additional information be filed. The required information was filed on December 27, 1988.

Subsequently, on January 13, 1989, Western Fleming amended its filing to include a request for approval of a truck sales rate, along with cost data in support of the requested rate.

Western Fleming provided individual notice by mail to each of its wholesale customers of the proposed increase in rates and filed a typed copy of the notice concerning the connection and reconnection fees. No objection to the proposal or request for hearing has been made.

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

1. Western Fleming proposed to increase its connection ("tap-on") fee from \$250 to \$410. A detailed estimate from John L. Gulley, Equipment Sales and Construction Company, which

included all materials and labor, was submitted in support of the proposed connection fee. The proposed fee is reasonable and should be approved.

2. Western Fleming proposed to establish a \$20 reconnection fee applicable where service has been disconnected for nonpayment of bills. This amount is based on the average labor cost and includes the cost of disconnection. The proposed reconnection fee is reasonable and should be approved.

3. Western Fleming requested approval of a truck sales rate of \$2 per 1,000 gallons of water sold through its truck loading stations. Based on the cost data filed in support of this rate and comparison to truck sales rates charged by other utilities, the Commission finds that the proposed rate is reasonable and should be approved.

4. Western Fleming proposed to increase the rates to its four wholesale customers, Southern Mason Water District ("Southern Mason"), city of Flemingsburg ("Flemingsburg"), Buffalo Trail Water Association ("Buffalo Trail"), and Fleming County Water Association ("Fleming County") to more adequately reflect the cost of delivering water to each. A cost study was provided with the original filing and additional information was included in the December 27, 1988 response. The cost study was based on 1987 expenses as shown in Western Fleming's Annual Report for that year. An analysis of the cost study shows that the resulting rate levels are inaccurate due to improper allocation of certain cost elements.

Western Fleming's wholesale customers (excluding Buffalo Trail which receives its water just outside the treatment plant) utilize 37.1 miles or 68.2 percent of Western Fleming's total transmission and distribution lines.¹ In its cost study, Western Fleming allocated the entire transmission and distribution expense associated with the 37.1 miles to the wholesale customers. However, these lines are also used to provide service to Western Fleming's other customers.

Allocations of depreciation (less meters and a storage tank used primarily by Southern Mason) and interest on debt were based on the percentage of water purchased without consideration of other factors such as the portion of the treatment plant or miles of line used by each wholesale customer or the extent of use of the same lines by other customers.

For instance, the entire amount of depreciation applicable to the storage tank was allocated to Southern Mason; however, at least 5 percent of the tank is used for other customers on an ongoing basis. Further, the tank is designed so that it is available for other customers if needed and was used when Western Fleming's other storage tank was painted.² Western Fleming also did not consider the differences in the volume of water purchased in relation to the treatment, transmission and distribution facilities utilized. For example, Flemingsburg purchased 6.07

¹ Response to Data Request, Item 1, Filed December 27, 1988.

² Ibid, Item 2.

percent of the water sold in 1987, but utilized 29.41 percent of the transmission and distribution lines compared to Southern Mason's purchase of 20.07 percent of the water sold and utilization of 13.79 percent of the transmission and distribution lines.

Based on the analysis of Western Fleming's cost study, the 1987 Annual Report, and other information submitted by Western Fleming, the Commission finds that the rates in Appendix A more accurately reflect the costs of delivering water to each of the wholesale customers and should be approved.

IT IS THEREFORE ORDERED that:

1. The connection fee, reconnection fee, and truck sales rate proposed by Western Fleming are hereby approved for services rendered on and after the date of this Order.

2. The wholesale rates proposed by Western Fleming are denied.

3. The rates and charges in Appendix A, attached and incorporated hereto, are approved for services rendered on and after the date of this Order.

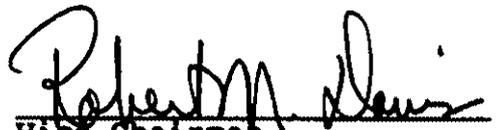
4. Within 30 days of the date of this Order, Western Fleming shall file revised tariff sheets setting out the rates approved herein.

5. Within 30 days of the date of this Order, Western Fleming shall file a copy of its actual notice to customers of the proposed connection and reconnection fees and verification that such notice has been given.

Done at Frankfort, Kentucky, this 3rd day of February, 1989.

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. 10431 DATED 2/03/89

The following rates and charges are prescribed for the customers in the area served by Western Fleming County 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.

WHOLESALE RATES

Southern Mason Water District	\$.85 per 1,000 gallons
City of Flemingsburg	1.38 per 1,000 gallons
Buffalo Trail Water Association, Inc.	.65 per 1,000 gallons
Fleming County Water Association, Inc.	1.14 per 1,000 gallons
TRUCK SALES	\$ 2.00 per 1,000 gallons
CONNECTION FEE	\$410
RECONNECTION FEE	\$20