

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF REIDLAND WATER AND )  
SEWER DISTRICT FOR (1) A CERTIFICATE OF )  
PUBLIC CONVENIENCE AND NECESSITY, )  
AUTHORIZING APPLICANT TO CONSTRUCT MAJOR )  
IMPROVEMENTS TO ITS EXISTING WATER SYSTEM; )  
(2) APPROVAL OF FUNDING OF THE PROPOSED )  
CONSTRUCTION AND IMPROVEMENTS THROUGH THE )  
KENTUCKY INFRASTRUCTURE AUTHORITY )  
ESTABLISHED UNDER KRS 224A.011, ET SEQ., )  
AND A CONVENTIONAL LOAN THROUGH A LOCAL )  
LENDING INSTITUTION; AND (3) APPROVAL OF )  
THE PROPOSED INCREASED RATES AND )  
SURCHARGES NECESSARY TO PAY THE LOANS )  
OBTAINED FOR THE PROPOSED CONSTRUCTION )  
AND IMPROVEMENTS )

CASE NO.  
89-150

O R D E R

On June 2, 1989, Reidland Water and Sewer District ("Reidland") filed an application with the Commission seeking approval of its proposed construction, financing, and water rate increase. The proposed rates would generate approximately \$123,755 annually in additional revenues, an increase of 58 percent over normalized test-year revenues from water sales. An increase was also proposed in surcharge revenue to produce an additional \$34,586 annually, an increase of 36 percent over normalized test-year surcharge revenue.

On August 30, 1989, Reidland filed an amended application withdrawing the construction portion of its original filing. In addition, the proposed financing was amended to include a

temporary surcharge pursuant to KRS 74.395 for a period not to exceed 5 years. Reidland proposed to apply the proceeds from this surcharge to a reserve trust account to fund the proposed construction and improvements to be certified in a future case. The proposed construction and surcharge had been approved by the board of commissioners of Reidland on March 6, 1989.

In November of 1988, Commission Staff conducted a field review of Reidland's test-period financial records. Based upon this review and Reidland's amended application, Commission Staff issued its report on October 30, 1989, recommending that Reidland be authorized to increase its annual operating revenues from rates by \$97,605. The Staff Report also recommended that Reidland be allowed to increase its annual surcharge revenues by \$158,647.

By letter dated November 1, 1989, Reidland was advised to file comments on the Staff Report or request a hearing no later than November 16, 1989. Reidland's attorney informed the Commission by letter dated November 8, 1989 that Reidland accepted the findings of the Staff Report.

By Order dated November 29, 1989, the Commission directed Reidland to publish notice of a public hearing to be held in Frankfort on December 14, 1989 to examine Reidland's request for approval to add a temporary surcharge to its water rates pursuant to KRS 74.395. Notice of the public hearing was published in The Paducah Sun on November 30, 1989. As no notices of intent to attend the hearing were received by the Commission by the date prescribed in the notice, the public hearing was cancelled.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds:

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and are incorporated by this reference as if fully set out herein.

2. The rates in Appendix A, attached hereto and incorporated herein, are fair, just, and reasonable rates for service provided by Reidland and will produce annual revenues from water sales of \$311,741. These rates will allow Reidland sufficient revenues to meet its operating expenses and provide for future equity growth, including debt service.

3. The rates proposed by Reidland would produce revenue increases which are unreasonable and thus inconsistent with KRS 278.030.

4. The surcharge set out in Appendix A is reasonable and adequate to implement the proposed construction.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Reidland in its application are denied.

2. The rates in Appendix A are approved for service rendered by Reidland on and after the date of this Order.

3. The surcharge set out in Appendix A is approved for service rendered by Reidland on and after the date of this Order, for a period not to exceed 5 years.

4. All funds generated by the surcharge shall be set aside in a reserve trust account. Such funds shall be invested in securities issued or guaranteed by the United States government until they are needed, and shall be expended, together with any interest or other earnings thereon, solely for the construction of the facilities described in Reidland's amended application, adjusted as per the Staff Report filed herein.

5. Reidland shall file semi-annual statements detailing surcharge revenues collected, including any interest earned thereon, and all expenditures made. Failure to file the semi-annual reports shall warrant cessation of the surcharge and refunding of the monies previously collected. If construction has not begun within 5 years after implementation of the surcharge, all funds shall be returned to Reidland's customers, together with interest and earnings.


6. Reidland shall maintain its records in such a manner as will enable it, the Commission, or its customers to determine the amounts to be refunded and to whom they are due in the event that surcharge amounts are ordered refunded.

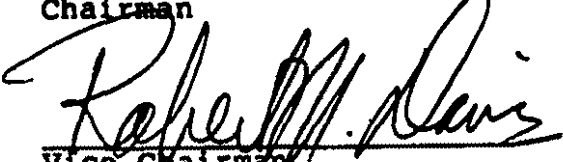
7. The surcharge constitutes contributions and shall be accounted for in the manner prescribed in the Uniform System of Accounts for Class A and B water districts and associations. The monthly billing shall be debited to customer accounts receivable and credited to the contributions account. When the amount is collected, special funds shall be debited and customer accounts receivable credited.

8. Within 30 days of the date of this Order, Reidland shall file with the Commission its revised tariffs setting out the rates and surcharge approved herein.

Done at Frankfort, Kentucky, this 5th day of January, 1990.

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. 89-150 DATED 1/05/90

The following rates and charges are prescribed for water service to customers of Reidland Water District. All other rates and charges not specifically set forth herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

<u>Usage Increments</u>	<u>Rates</u>
First 3,000 gallons	\$4.35 (Minimum)
Next 7,000 gallons	1.30 per 1,000 gallons
Next 10,000 gallons	1.00 per 1,000 gallons
Next 50,000 gallons	.90 per 1,000 gallons
Over 70,000 gallons	.75 per 1,000 gallons

Surcharge

First 3,000 gallons	\$3.13 (Minimum)
Over 3,000 gallons	.62 per 1,000 gallons