COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF THE BRACKEN COUNTY WATER DISTRICT

) CASE NO. 96-192

<u>order</u>

On May 6, 1996, Bracken County Water District ("Bracken Water") filed an application with the Public Service Commission seeking to increase its water rates pursuant to 807 KAR 5:001, Section 10. Bracken Water had determined that its merged pro forma operations would support a revenue requirement of \$562,345, an increase in its revenue from water sales of \$196,147.¹

On June 11, 1996, October 2, 1996, and December 5 and 20, 1996, Commission Staff conducted a limited financial review of Bracken Water's operations for the test period, calendar year 1995. Based upon its review, Commission Staff issued a report on February 7, 1997. In its report, Commission Staff opined that Bracken Water's operations resulted in a revenue requirement from water sales of \$440,127, an increase in revenue from water sales of only \$38,434. However, in addition to the revenue requirement from water sales, Commission Staff also recommended the approval of

¹ In Case No. 95-068, The Application of Bracken County Water District No. 1 and Western Bracken Water District for Approval of the Merger of Bracken County Water District No. 1 and Western Bracken Water District, final Order dated May 11, 1995, the Commission approved the merger of Bracken County Water District No. 1 and Western Bracken Water District. The combined entity was named Bracken County Water District, with Division I being comprised of Bracken County Water District No. 1's former service territory and Division II being comprised of Western Bracken Water District's former service territory.

annual debt service surcharges in the amounts of \$96,615 for Division I and \$18,297 for Division II, resulting in a total recommended revenue increase of \$153,346.²

By Order dated February 7, 1997, the Commission advised the parties to this proceeding that comments on the Staff Report or requests for a public hearing must be submitted no later than February 14, 1997, or the case would be submitted to the Commission for a decision. No comments or requests for a hearing have been filed.

The Commission, after consideration of the evidence of record and being sufficiently advised, finds that:

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 reference as if fully set out herein.

2. The rates in Appendix A, which is attached hereto and incorporated herein, are the fair, just, and reasonable rates for Bracken Water and will produce gross annual water revenues of \$440,127. These rates will allow Bracken Water sufficient revenues to meet its operating expenses.

3. The surcharges in Appendix A are also fair, just, and reasonable and will produce annual debt surcharge collections of \$96,615 for Division I and \$18,297 for

² According to KRS 74.363(5), when two water districts enter into a voluntary merger, any outstanding debt obligation of the original districts is to be repaid or retired from the revenues collected from each district's pre-merger customer base. It is for this reason that Commission Staff recommended Bracken Water be granted separate debt service surcharges for its two divisions.

Division II. These surcharges will allow Bracken Water sufficient revenues to meet its debt service requirements.

IT IS THEREFORE ORDERED that:

1. The rates contained in Appendix A are approved for service rendered by Bracken Water on and after the date of this Order.

2. The surcharges contained in Appendix A for Division I are approved for service to the customers of Division I on and after the date of this Order. The proceeds from the surcharge collections shall be used for no reason other than the repayment of Division I's debt to the Kentucky Infrastructure Authority and the First National Bank of Brooksville. Bracken Water shall establish an escrow account with a financial institution into which it will deposit the surcharge collections from Division I and out of which it will separately account for repayment of Division I's debt to the Kentucky Infrastructure Authority and the First National Bank of Brooksville. The surcharge will remain in effect until December 31, 2015 or until the Kentucky Infrastructure Authority and the First National Bank of Brooksville debt obligations are retired, or if any of the proceeds therefrom are used for any reason other than the repayment of the debt.

3. The surcharges contained in Appendix A for Division II are approved for service to the customers of Division II on and after the date of this Order. The proceeds from the surcharge collections shall be used for no reason other than the repayment of Division II's debt to General Electric Capital. Bracken Water shall establish an escrow account with a financial institution into which it will deposit the surcharge collections from Division II and out of which it will separately account for repayment of Division II's debt

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to General Electric Capital. The surcharge will remain in effect until December 31, 2001 or until the General Electric Capital debt obligation is retired, or if any of the proceeds therefrom are used for any reason other than the repayment of the debt.

4. Bracken Water shall file with its Annual Report an annual summary containing the following information: separate monthly surcharge billings and collections; separate monthly bank statements for the interest bearing surcharge accounts; and loan payments from the account.

5. Within 30 days of the date of this Order, Bracken Water shall file with the Commission its revised tariff setting out the rates and surcharges approved herein in conformance with 807 KAR 5:011.

Done at Frankfort, Kentucky, this 5th day of March, 1997.

PUBLIC SERVICE COMMISSION

Vice Chairman

Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 96-192 DATED MARCH 5, 1997

The following rates and charges are prescribed for the customers in the area served by Bracken 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.

Monthly Rates:

First 2,000 gallons Over 2,000 gallons	\$ 7.56 Minimum Bill 2.58 Per 1,000 gallons
City of Brooksville	1.97 Per 1,000 gallons
Bulk Sales	4.00 Per 1,000 gallons

A monthly surcharge of \$6.57 per customer in Division 1, and a surcharge of 46 cents per 1,000 gallon for the city of Brooksville will remain in effect until December 31, 2015 or until KIA and First National Bank of Brooksville debt obligations are retired.

A monthly surcharge of \$3.45 per customer in Division 2 will remain in effect until December 31, 2001 or until General Electric Capital's debt is retired.