

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF THE)
HARRISON COUNTY WATER) CASE NO. 99-409
ASSOCIATION, INC.)

ORDER

On November 22, 1999, Harrison County Water Association, Inc. ("Harrison") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of Harrison's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 23rd day of March, 2000.

ATTEST:

By the Commission



Executive Director

COMMONWEALTH OF KENTUCKY
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By the Commission


Executive Director

STAFF REPORT
ON
HARRISON COUNTY WATER ASSOCIATION, INC.
CASE NO. 99-409

Pursuant to a request by Harrison County Water Association, Inc. ("Harrison") for assistance with the preparation of a rate application, Commission Staff ("Staff") performed a limited financial review of Harrison's test year operations, the twelve months ending November 30, 1998. The scope of Staff's review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Upon completion of the review, Staff assisted Harrison in the development and preparation of a rate application. The application included an adjusted pro forma operating income statement wherein adjustments were made to test year operating revenues and expenses that were known and measurable and deemed to be reasonable. The rates proposed by Harrison were based on the pro forma income statement as shown in Attachment A of the application. Attachment A also includes the calculation of Harrison's revenue requirement using a 120 percent debt service coverage. The coverage requirement is \$317,500. To meet the coverage requirement Harrison needs additional revenues of \$160,000. To generate the additional revenue Harrison proposed a five-year rate phase-in plan. Under the proposed plan Harrison would generate additional revenues of \$60,000 in the first year and \$25,000 per year for each of the last four years.

On November 22, 1999, Harrison filed its rate application to the Commission for consideration. Staff is hereby adopting the contents of that application as its recommendation in this report as if fully set out herein. Brent Kirtley is responsible for all revenue adjustments and calculation of the proposed rates. Scott Lawless is responsible for the determination of the revenue requirement. Based on the information included in Harrison's application, Staff is of the opinion that the rates proposed by Harrison, as shown in Attachment A of this report, are reasonable and should be approved by this Commission.

Signatures

Prepared by: Jack Scott Lawless, CPA
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis

Prepared by: Brent Kirtley
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO. 99-409
STAFF'S RECOMMENDED RATES

Monthly Water Rates – Phase 1

5/8" x 3/4" Meter	First	2,000 Gallons	\$13.00	Minimum bill
	Next	1,000 Gallons	4.58	Per 1,000 Gallons
	Next	2,000 Gallons	4.23	Per 1,000 Gallons
	Next	95,000 Gallons	3.69	Per 1,000 Gallons
	Over	100,000 gallons	3.08	Per 1,000 Gallons
3/4" Meter	First	3,000 Gallons	\$17.58	Minimum bill
	Next	2,000 Gallons	4.23	Per 1,000 Gallons
	Next	95,000 Gallons	3.69	Per 1,000 Gallons
	Over	100,000 gallons	3.08	Per 1,000 Gallons
1" Meter	First	5,000 Gallons	\$26.04	Minimum bill
	Next	95,000 Gallons	3.69	Per 1,000 Gallons
	Over	100,000 gallons	3.08	Per 1,000 Gallons
1 1/2" Meter	First	10,000 Gallons	\$44.49	Minimum bill
	Next	90,000 Gallons	3.69	Per 1,000 Gallons
	Over	100,000 gallons	3.08	Per 1,000 Gallons
2" Meter	First	15,000 Gallons	\$62.94	Minimum bill
	Next	85,000 Gallons	3.69	Per 1,000 Gallons
	Over	100,000 gallons	3.08	Per 1,000 Gallons

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Monthly Water Rates – Phase 2

5/8" x 3/4" Meter	First	2,000 Gallons	\$13.21	Minimum bill
	Next	1,000 Gallons	4.58	Per 1,000 Gallons
	Next	2,000 Gallons	4.32	Per 1,000 Gallons
	Next	95,000 Gallons	3.85	Per 1,000 Gallons
	Over	100,000 gallons	3.12	Per 1,000 Gallons
3/4" Meter	First	3,000 Gallons	\$17.79	Minimum bill
	Next	2,000 Gallons	4.32	Per 1,000 Gallons
	Next	95,000 Gallons	3.85	Per 1,000 Gallons
	Over	100,000 gallons	3.12	Per 1,000 Gallons
1" Meter	First	5,000 Gallons	\$26.43	Minimum bill
	Next	95,000 Gallons	3.85	Per 1,000 Gallons
	Over	100,000 gallons	3.12	Per 1,000 Gallons
1 1/2" Meter	First	10,000 Gallons	\$45.68	Minimum bill
	Next	90,000 Gallons	3.85	Per 1,000 Gallons
	Over	100,000 gallons	3.12	Per 1,000 Gallons
2" Meter	First	15,000 Gallons	\$64.93	Minimum bill
	Next	85,000 Gallons	3.85	Per 1,000 Gallons
	Over	100,000 gallons	3.12	Per 1,000 Gallons

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Monthly Water Rates – Phase 3

5/8" x 3/4" Meter	First	2,000 Gallons	\$13.43	Minimum bill
	Next	1,000 Gallons	4.60	Per 1,000 Gallons
	Next	2,000 Gallons	4.44	Per 1,000 Gallons
	Next	95,000 Gallons	3.97	Per 1,000 Gallons
	Over	100,000 gallons	3.20	Per 1,000 Gallons
3/4" Meter	First	3,000 Gallons	\$18.03	Minimum bill
	Next	2,000 Gallons	4.44	Per 1,000 Gallons
	Next	95,000 Gallons	3.97	Per 1,000 Gallons
	Over	100,000 gallons	3.20	Per 1,000 Gallons
1" Meter	First	5,000 Gallons	\$26.91	Minimum bill
	Next	95,000 Gallons	3.97	Per 1,000 Gallons
	Over	100,000 gallons	3.20	Per 1,000 Gallons
1 1/2" Meter	First	10,000 Gallons	\$46.76	Minimum bill
	Next	90,000 Gallons	3.97	Per 1,000 Gallons
	Over	100,000 gallons	3.20	Per 1,000 Gallons
2" Meter	First	15,000 Gallons	\$66.61	Minimum bill
	Next	85,000 Gallons	3.97	Per 1,000 Gallons
	Over	100,000 gallons	3.20	Per 1,000 Gallons

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Monthly Water Rates – Phase 4

5/8" x 3/4" Meter	First	2,000 Gallons	\$13.65	Minimum bill
	Next	1,000 Gallons	4.71	Per 1,000 Gallons
	Next	2,000 Gallons	4.54	Per 1,000 Gallons
	Next	95,000 Gallons	4.06	Per 1,000 Gallons
	Over	100,000 gallons	3.25	Per 1,000 Gallons
3/4" Meter	First	3,000 Gallons	\$18.36	Minimum bill
	Next	2,000 Gallons	4.54	Per 1,000 Gallons
	Next	95,000 Gallons	4.06	Per 1,000 Gallons
	Over	100,000 gallons	3.25	Per 1,000 Gallons
1" Meter	First	5,000 Gallons	\$27.44	Minimum bill
	Next	95,000 Gallons	4.06	Per 1,000 Gallons
	Over	100,000 gallons	3.25	Per 1,000 Gallons
1 1/2" Meter	First	10,000 Gallons	\$47.74	Minimum bill
	Next	90,000 Gallons	4.06	Per 1,000 Gallons
	Over	100,000 gallons	3.25	Per 1,000 Gallons
2" Meter	First	15,000 Gallons	\$68.04	Minimum bill
	Next	85,000 Gallons	4.06	Per 1,000 Gallons
	Over	100,000 gallons	3.25	Per 1,000 Gallons

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Monthly Water Rates – Phase 5

5/8" x 3/4" Meter	First	2,000 Gallons	\$13.87	Minimum bill
	Next	1,000 Gallons	4.81	Per 1,000 Gallons
	Next	2,000 Gallons	4.65	Per 1,000 Gallons
	Next	95,000 Gallons	4.15	Per 1,000 Gallons
	Over	100,000 gallons	3.31	Per 1,000 Gallons
3/4" Meter	First	3,000 Gallons	\$18.68	Minimum bill
	Next	2,000 Gallons	4.65	Per 1,000 Gallons
	Next	95,000 Gallons	4.15	Per 1,000 Gallons
	Over	100,000 gallons	3.31	Per 1,000 Gallons
1" Meter	First	5,000 Gallons	\$27.98	Minimum bill
	Next	95,000 Gallons	4.15	Per 1,000 Gallons
	Over	100,000 gallons	3.31	Per 1,000 Gallons
1 1/2" Meter	First	10,000 Gallons	\$48.73	Minimum bill
	Next	90,000 Gallons	4.15	Per 1,000 Gallons
	Over	100,000 gallons	3.31	Per 1,000 Gallons
2" Meter	First	15,000 Gallons	\$69.48	Minimum bill
	Next	85,000 Gallons	4.15	Per 1,000 Gallons
	Over	100,000 gallons	3.31	Per 1,000 Gallons