

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE APPLICATION OF BULLOCK PEN WATER |) | |
| DISTRICT FOR A CERTIFICATE OF PUBLIC |) | |
| CONVENIENCE AND NECESSITY TO CONSTRUCT |) | |
| PROPOSED WATERWORKS IMPROVEMENT |) | CASE NO. |
| PROJECT AND FOR APPROVAL OF PROPOSED |) | 2008-00170 |
| PLAN OF FINANCING, INCREASE IN RATES, |) | |
| NONRECURRING CHARGES, AND TARIFF |) | |
| REVISIONS |) | |

ORDER

Bullock Pen Water District (“Bullock Pen”) applied for a Certificate of Public Convenience and Necessity (“Certificate”) to construct a \$2,614,600 waterworks improvement project, for authority to enter into a loan agreement with the Kentucky Infrastructure Authority (“KIA”) for \$2,434,600, for authority to increase its water rates, for authority to increase certain nonrecurring charges, and for approval of the completely revised, comprehensive tariff. By this Order, we approve a monthly surcharge of \$15 per customer that receives water service in the Phase 6 construction area, approve the nonrecurring charges, approve the tariff revisions, and establish rates that will produce annual revenues from water sales of \$3,401,034, an increase of \$698,483 or 25.845 percent over Staff’s normalized revenue from rates of \$2,702,552. The rates approved herein will increase the average monthly residential bill of 5,000 gallons from \$36.73 to \$52.99, an increase of \$16.26 or 44.27 percent.

BACKGROUND

Bullock Pen, a water district organized pursuant to KRS Chapter 74, is a utility subject to Commission jurisdiction.¹ It provides retail water service to 6,590 in customers in the Kentucky counties of Boone, Gallatin, Grant, Kenton, and Pendleton.² It last applied for a rate adjustment in 2002.³

PROCEDURE

On July 7, 2008, Bullock Pen tendered its application. Because of filing deficiencies, the Commission did not accept the application for filing until February 18, 2009. In its April 15, 2009 Order, the Commission granted the requested Certificate and authorized the proposed KIA loan. The rates proposed by Bullock Pen in its application would increase the average monthly residential bill of 5,000 gallons from \$36.73 to \$44.51, an increase of \$7.78 or 21.18 percent. The rate originally proposed will generate annual revenues from water sales of \$3,335,148.

Commission Staff performed a limited financial review of Bullock Pen's test-period operations and issued a report containing its findings and recommendations on November 20, 2009. In its report, Staff determined that, based upon its pro forma operations, Bullock Pen could justify a revenue requirement from rates of \$3,401,034.

¹ KRS 278.010(3)(d); KRS 278.015; KRS 278.040.

² Annual Report of Bullock Pen to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2008 at 5 and 27.

³ Case No. 2003-00164, Application of Bullock Pen Water District Requesting: (1) A Certificate of Public Convenience and Necessity Authorizing Construction of Major Additions and Improvements to its Water System; (2) Seeking Approval of Revised Water Service Rates and Charges; (3) Seeking Approval of Financing Pursuant to KRS 278.020 AND KRS 278.30 (Ky. PSC Dec. 03, 2003).

But noting that Bullock Pen's requested revenue requirement of \$3,335,148 will produce a positive cash flow of \$561,011,⁴ and is sufficient for it to pay the pro forma "cash" expenses and meet the debt service requirements of the long-term debt issuances, Staff recommended that the Commission approve the rates requested by Bullock Pen.

If Bullock Pen chose to request the water rates that would generate the \$3,401,034 revenue requirement that Staff determined Bullock Pen could justify, Staff directed Bullock Pen to amend its application. Staff further directed Bullock Pen to provide confirmation to the Commission that it had published notice of those higher rates pursuant to 807 KAR 5:011, Section 8.

All parties were directed to file written comments regarding the Staff Report or requests for a hearing or an informal conference by December 4, 2009. On December 1, 2009, Bullock Pen accepted Staff's recommendation and amended its application to request the total amount of revenue requirement that it could justify of \$3,401,034. Bullock Pen submitted the requested documentation to show that it complied with Staff's direction regarding the publication of public notice of the amended rates.

In its application, Bullock Pen presented to the Commission a completely revised tariff, requesting that it be approved. The revised tariff included the requested rates, the proposed Phase 6 surcharge, and the requested nonrecurring charges. Upon review of

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| ⁴ Revenue Requirement - Water Sales | \$ 3,335,148 |
| Add: Other Operating Revenues | 200,505 |
| Other Income & Deductions | + 134,756 |
| Total Revenue Requirement | <u>\$ 3,670,409</u> |
| Less: Operating Expenses | - 2,915,461 |
| Net Operating Income | \$ 754,948 |
| Add: Depreciation & Amortization | + 544,416 |
| Less: Debt Service | - 738,352 |
| Net Cash Flow | <u><u>\$ 561,012</u></u> |

Bullock Pen's proposed tariff, the Commission is of the opinion that it is appropriate and reasonable. Accordingly, the Commission finds that the tariff as amended herein to include the rates and charges contained in the attached Appendix should be approved.

During its investigation, Staff became aware of Bullock Pen's possible violation of KRS 278.300. In its written comments to the Staff Report, Bullock Pen requested a limited informal conference to discuss its alleged violations of that statute. In reviewing the reports and recommendations regarding Bullock Pen's alleged violation, the Commission finds that there is sufficient documentation to warrant further investigation. The Commission further finds that Bullock Pen's request for a limited informal conference in this proceeding should be denied, but that the requested conference should be scheduled in the future investigation proceeding.

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

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record and are reasonable.
2. The water rates contained in Appendix C of the Staff Report and in Bullock Pen's Amended Application will produce annual revenues from water sales of \$3,401,034.

IT IS THEREFORE ORDERED that:

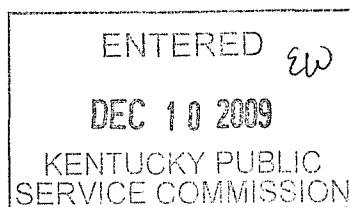
1. The recommendations and findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water rates and the Phase 6 surcharge contained in Bullock Pen's Application are denied.

3. Bullock Pen's request for an informal conference in this proceeding is denied.

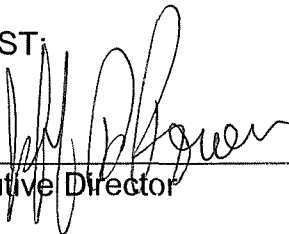
4. The water rates, nonrecurring charges, and Phase 6 surcharge contained in Bullock Pen's Amended Application and set forth in the Appendix attached hereto are approved for service rendered by Bullock Pen on and after the date of this Order.

5. Within 30 days of the date of this Order, Bullock Pen shall file with the Commission its tariff setting out the water rates, nonrecurring charges, and revisions approved herein.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00170 DATED **DEC 10 2009**

The following rates are prescribed for the customers in the area served by Bullock Pen Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

RATES AND CHARGES

5/8" x 3/4" Meter:

| | | | |
|----------|----------------|----------|-------------------|
| First | 2,000 gallons | \$ 26.59 | Minimum bill |
| Next | 3,000 gallons | \$ 8.80 | per 1,000 gallons |
| Next | 5,000 gallons | \$ 7.96 | per 1,000 gallons |
| Next | 10,000 gallons | \$ 7.11 | per 1,000 gallons |
| All Over | 20,000 gallons | \$ 6.26 | per 1,000 gallons |

1" Meter:

| | | | |
|----------|----------------|----------|-------------------|
| First | 5,000 gallons | \$ 52.99 | Minimum bill |
| Next | 5,000 gallons | \$ 7.96 | per 1,000 gallons |
| Next | 10,000 gallons | \$ 7.11 | per 1,000 gallons |
| All Over | 20,000 gallons | \$ 6.26 | per 1,000 gallons |

1 1/2" Meter:

| | | | |
|----------|----------------|----------|-------------------|
| First | 10,000 gallons | \$ 92.79 | Minimum bill |
| Next | 10,000 gallons | \$ 7.11 | per 1,000 gallons |
| All Over | 20,000 gallons | \$ 6.26 | per 1,000 gallons |

2" Meter:

| | | | |
|----------|----------------|----------|-------------------|
| First | 20,000 gallons | \$163.89 | Minimum bill |
| All Over | 20,000 gallons | \$ 6.26 | per 1,000 gallons |

Bulk Loading Station \$ 6.98 per 1,000 gallons

Phase 6 Surcharge \$ 15.00

NONRECURRING CHARGES

| | |
|------------------------------|-------------|
| Meter Reread | \$ 35.00 |
| Meter Test | \$ 50.00 |
| Reconnection | \$ 50.00 |
| Service Call - Investigation | \$ 35.00 |
| Meter Relocation | Actual Cost |

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