

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CRITTENDEN-LIVINGSTON)	CASE NO.
COUNTY WATER DISTRICT FOR AN)	2018-00414
ALTERNATIVE RATE ADJUSTMENT)	

ORDER

On December 12, 2018, Crittenden-Livingston County Water District (Crittenden-Livingston District) filed an application (Application) with the Commission, pursuant to 807 KAR 5:076, requesting to adjust its rates for water service.

In its Application, Crittenden-Livingston District requested rates that would increase annual water sales revenues by \$598,817, a 31.68 percent increase to pro forma present rate water sales revenues.

To ensure the orderly review of the Application, the Commission established a procedural schedule by Order dated January 11, 2019, which, among other things, required the Commission Staff (Staff) to file a report containing its findings regarding Crittenden-Livingston District's Application.

Pursuant to the procedural Order, on April 5, 2019, Staff issued a report (Report) summarizing its findings regarding Crittenden-Livingston District's requested rate adjustment. In its Report, Staff found that Crittenden-Livingston District's adjusted test-year operations support an Overall Revenue Requirement of \$3,171,327 and that an annual revenue increase of \$608,746, or 32.20 percent, is necessary to generate the Overall Revenue Requirement.

On April 15, 2019, Crittenden-Livingston District filed with the Commission its comments on Staff's report accepting the findings of the Report. Crittenden-Livingston District did not request that a conference or hearing be held.¹

BACKGROUND

Crittenden-Livingston District is a water district organized pursuant to KRS Chapter 74. It owns and operates a water distribution system through which it provides water service to approximately 3,607 customers in Crittenden and Livingston counties, Kentucky.² This is Crittenden-Livingston District's first rate adjustment pursuant to 807 KAR 5:076 since December 20, 2012.

TEST PERIOD

The calendar year which ended December 31, 2017, was used as the test year to determine the reasonableness of Crittenden-Livingston District's existing and proposed water rates, as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

The Staff Report summarizes Crittenden-Livingston District's pro forma income statement as follows:

	<u>2017 Annual Report</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Operations</u>
Operating Revenues	\$ 2,417,743	\$ 12,532	\$ 2,430,275
Operating Expenses	<u>2,147,931</u>	<u>(183,508)</u>	<u>1,964,423</u>
Net Operating Income	<u>\$ 269,812</u>	<u>\$ 196,040</u>	<u>\$ 465,852</u>

¹ Letter from Ronnie Slayden, Crittenden-Livingston Water District, to Executive Director, Public Service Commission (Apr. 10, 2019).

² *Annual Report of Crittenden-Livingston Water District to the Public Service Commission for the Calendar Year Ended December 31, 2017 (Annual Report)* at 12 and 48.

MODIFICATIONS TO APPLICATION

Crittenden-Livingston District proposed adjustments to revenues and expenses to reflect current and expected operating conditions. In its Report, Staff proposed additional adjustments. The Commission accepts the findings contained in the Report.

REVENUE REQUIREMENTS

Based upon the Commission's accepted findings and determinations herein, Crittenden-Livingston District requires an increase in revenues from its retail water service rates of \$608,746, or 32.20 percent above pro forma present rate retail service revenues, as shown below:

Pro Forma Operating Expenses	\$1,964,423
Plus: Average Annual Principal and Interest Payments	1,057,713
Additional Working Capital	<u>149,192</u>
Overall Revenue Requirement	3,171,328
Less: Other Operating Revenue	(63,898)
Interest Income	(1,681)
Proposed Wholesale Sales Revenue	<u>(606,519)</u>
Revenue Required from Retail Rates	2,499,230
Less: Revenue from Retail Sales at Present Rates	<u>(1,890,483)</u>
Required Retail Revenue Increase	<u>\$ 608,747</u>
Percentage Increase	<u>32.20%</u>

RATE DESIGN

The Commission finds that in the absence of a cost-of-service study (COSS) the proposed across-the-board method is an appropriate and equitable method to allocate the required revenue increase to Crittenden-Livingston District's customers. Crittenden-Livingston District requested to increase its current wholesale water service rate by 29.5 percent and provided a COSS to support its total proposed wholesale rate of \$3.34. The

Commission finds that the phase-in rates calculated by Staff for the wholesale rate are reasonable and should be approved. The Commission also finds that the phase in of the retail rates as calculated by Staff in its Report are reasonable and should be approved. The rates to be approved are shown in Appendices A, B, and C below. Phase 1 rates will increase the monthly bill of a typical residential customer from \$40.03 to \$44.26, an increase of \$4.23, or 10.57 percent. Phase 2 rates will increase the monthly bill of a typical residential customer from the Phase 1 rate of \$44.26 to \$48.48, an increase of \$4.22, or 9.53 percent. Phase 3 rates will increase the monthly bill of a typical residential customer from the Phase 2 rate of \$48.48 to \$52.92, an increase of \$4.44 or 9.16 percent.

SUMMARY

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

1. The findings contained in the Staff Report are supported by the evidence of record and are reasonable.
2. The Commission has historically used a Debt Service Coverage (DSC) method to calculate the revenue requirement for water districts or associations with outstanding long-term debt. Application of the Commission's DSC method to Crittenden-Livingston District's pro forma operations results in an Overall Revenue Requirement of \$3,171,327. A revenue increase of \$608,746 from water service rates is necessary to generate the Overall Revenue Requirement.
3. The water service rates proposed by Crittenden-Livingston District should be denied.

4. The water service rates set forth in the Appendices to this Order are fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.

2. The general service rates proposed by Crittenden-Livingston District are denied.

3. The Phase 1 rates set forth in Appendix A to this Order are approved for service rendered by Crittenden-Livingston District on and after the date of this Order.

4. The Phase 2 rates set forth in Appendix B to this Order are approved for service rendered by Crittenden-Livingston District effective on the first anniversary of the date of this Order.

5. The Phase 3 rates set forth in Appendix C to this Order are approved for service rendered by Crittenden-Livingston District effective on the second anniversary of the date of this Order.

6. Within 20 days of the date of entry of this Order, Crittenden-Livingston District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.

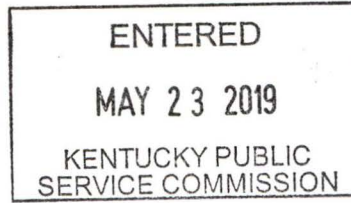
7. One month prior to the effective date of the Phase 2 rates, Crittenden-Livingston District shall publish a notice with the rate schedule as set forth in Appendix D to this Order.

8. One month prior to the effective date of the Phase 3 rates, Crittenden-Livingston District shall publish a notice with the rate schedule as set forth in Appendix E to this Order.

9. This case is closed and removed from the Commission's docket.

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By the Commission



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00414 DATED **MAY 23 2019**

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

Monthly Water Rates

Phase 1

5/8-3/4-Inch Meter

First	1,000	Gallons	\$20.72	Minimum bill
Next	9,000	Gallons	11.77	per 1,000 Gallons
Next	10,000	Gallons	10.09	per 1,000 Gallons
Over	20,000	Gallons	7.95	per 1,000 Gallons

1-Inch Meter

First	5,000	Gallons	\$67.80	Minimum bill
Next	5,000	Gallons	11.77	per 1,000 Gallons
Next	10,000	Gallons	10.09	per 1,000 Gallons
Over	20,000	Gallons	7.95	per 1,000 Gallons

2-Inch Meter

First	15,000	Gallons	\$177.10	Minimum bill
Next	5,000	Gallons	10.09	per 1,000 Gallons
Over	20,000	Gallons	7.95	per 1,000 Gallons

Bulk Sales 7.95 per 1,000 Gallons

Wholesale Rate 2.83 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00414 DATED **MAY 23 2019**

The following rates and charges are prescribed for the customers in the area served by Crittenden-Livingston County Water District for service rendered on and after the first anniversary of the date of this Order. All other rates and charges not specifically mentioned in this Appendix shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

Monthly Water Rates

Phase 2

5/8-3/4-Inch Meter

First	1,000	Gallons	\$22.70	Minimum bill
Next	9,000	Gallons	12.89	per 1,000 Gallons
Next	10,000	Gallons	11.05	per 1,000 Gallons
Over	20,000	Gallons	8.71	per 1,000 Gallons

1-Inch Meter

First	5,000	Gallons	\$74.26	Minimum bill
Next	5,000	Gallons	12.89	per 1,000 Gallons
Next	10,000	Gallons	11.05	per 1,000 Gallons
Over	20,000	Gallons	8.71	per 1,000 Gallons

2-Inch Meter

First	15,000	Gallons	\$193.96	Minimum bill
Next	5,000	Gallons	11.05	per 1,000 Gallons
Over	20,000	Gallons	8.71	per 1,000 Gallons

Bulk Sales 8.73 per 1,000 Gallons

Wholesale Rate 3.08 per 1,000 Gallons

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00414 DATED **MAY 23 2019**

The following rates and charges are prescribed for the customers in the area served by Crittenden-Livingston County Water District for service rendered on and after the second anniversary of the date of this Order. All other rates and charges not specifically mentioned in this Appendix shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

Monthly Water Rates

Phase 3

5/8-3/4-Inch Meter

First	1,000	Gallons	\$24.76	Minimum bill
Next	9,000	Gallons	14.08	per 1,000 Gallons
Next	10,000	Gallons	12.06	per 1,000 Gallons
Over	20,000	Gallons	9.52	per 1,000 Gallons

1-Inch Meter

First	5,000	Gallons	\$81.08	Minimum bill
Next	5,000	Gallons	14.08	per 1,000 Gallons
Next	10,000	Gallons	12.06	per 1,000 Gallons
Over	20,000	Gallons	9.52	per 1,000 Gallons

2-Inch Meter

First	15,000	Gallons	\$211.78	Minimum bill
Next	5,000	Gallons	12.006	per 1,000 Gallons
Over	20,000	Gallons	9.52	per 1,000 Gallons

Bulk Sales 9.52 per 1,000 Gallons

Wholesale Rate 3.34 per 1,000 Gallons

APPENDIX D

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00414 DATED **MAY 23 2019**

NOTICE TO THE CUSTOMERS OF
CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT

<u>5/8-3/4-Inch Meter</u>	<u>Current</u>		<u>Phase 2</u>		<u>Percent Change</u>
First 1,000 Gallons	\$20.72	per 1,000 Gallons	\$22.70	per 1,000 Gallons	9.6%
Next 9,000 Gallons	11.77	per 1,000 Gallons	12.89	per 1,000 Gallons	9.5%
Next 10,000 Gallons	10.09	per 1,000 Gallons	11.05	per 1,000 Gallons	9.5%
Over 20,000 Gallons	7.95	per 1,000 Gallons	8.71	per 1,000 Gallons	9.6%
<u>1-Inch Meter</u>	<u>Current</u>		<u>Phase 2</u>		<u>Percent Change</u>
First 5,000 Gallons	\$67.80	per 1,000 Gallons	\$74.26	per 1,000 Gallons	9.5%
Next 5,000 Gallons	11.77	per 1,000 Gallons	12.89	per 1,000 Gallons	9.5%
Next 10,000 Gallons	10.09	per 1,000 Gallons	11.05	per 1,000 Gallons	9.5%
Over 20,000 Gallons	7.95	per 1,000 Gallons	8.71	per 1,000 Gallons	9.6%
<u>2-Inch Meter</u>	<u>Current</u>		<u>Phase 2</u>		<u>Percent Change</u>
First 15,000 Gallons	\$177.10	per 1,000 Gallons	\$193.96	per 1,000 Gallons	9.5%
Next 5,000 Gallons	10.09	per 1,000 Gallons	11.05	per 1,000 Gallons	9.5%
Over 20,000 Gallons	7.95	per 1,000 Gallons	8.71	per 1,000 Gallons	9.6%
Wholesale Water Rates	\$2.83	Per 1,000 Gallons	\$3.08	Per 1,000 Gallons	8.8%
Bulk Sales	\$7.95	Per 1,000 Gallons	\$8.73	Per 1,000 Gallons	9.8%

APPENDIX E

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00414 DATED **MAY 23 2019**

NOTICE TO THE CUSTOMERS OF
CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT

<u>5/8-3/4-Inch Meter</u>	<u>Current</u>		<u>Phase 3</u>		<u>Percent Change</u>
First 1,000 Gallons	\$22.70	per 1,000 Gallons	\$24.76	per 1,000 Gallons	9.1%
Next 9,000 Gallons	12.89	per 1,000 Gallons	14.08	per 1,000 Gallons	9.2%
Next 10,000 Gallons	11.05	per 1,000 Gallons	12.06	per 1,000 Gallons	9.1%
Over 20,000 Gallons	8.71	per 1,000 Gallons	9.52	per 1,000 Gallons	9.3%
<u>1-Inch Meter</u>	<u>Current</u>		<u>Phase 3</u>		<u>Percent Change</u>
First 5,000 Gallons	\$74.26	per 1,000 Gallons	\$81.08	per 1,000 Gallons	9.2%
Next 5,000 Gallons	12.89	per 1,000 Gallons	14.08	per 1,000 Gallons	9.2%
Next 10,000 Gallons	11.05	per 1,000 Gallons	12.06	per 1,000 Gallons	9.1%
Over 20,000 Gallons	8.71	per 1,000 Gallons	9.52	per 1,000 Gallons	9.3%
<u>2-Inch Meter</u>	<u>Current</u>		<u>Phase 3</u>		<u>Percent Change</u>
First 15,000 Gallons	\$193.96	per 1,000 Gallons	\$211.78	per 1,000 Gallons	9.2%
Next 5,000 Gallons	11.05	per 1,000 Gallons	12.06	per 1,000 Gallons	9.1%
Over 20,000 Gallons	8.71	per 1,000 Gallons	9.52	per 1,000 Gallons	9.3%
Wholesale Water Rates	\$3.08	Per 1,000 Gallons	\$3.34	Per 1,000 Gallons	8.4%
Bulk Sales	\$8.73	Per 1,000 Gallons	\$9.52	Per 1,000 Gallons	9.0%

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