

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DEXTER-)	CASE NO.
ALMO HEIGHTS WATER DISTRICT FOR)	2017-00191
ALTERNATIVE RATE ADJUSTMENT)	

ORDER

On May 15, 2017, Dexter-Almo Heights Water District (“Dexter-Almo”) tendered an application (“Application”) to the Commission requesting to adjust its water rates pursuant to 807 KAR 5:076. By letter dated May 19, 2017, the Commission notified Dexter-Almo that its Application was rejected as deficient. After Dexter-Almo corrected the filing deficiencies, the Commission accepted its Application for filing on May 25, 2017. To ensure the orderly review of the Application, the Commission established a procedural schedule by Order dated June 12, 2017, which, among other things, required Commission Staff (“Staff”) to file a report containing its findings regarding the rates requested by Dexter-Almo.

On September 27, 2017, Staff issued a report summarizing its findings. In its report, Staff found that Dexter-Almo’s adjusted test-year operations support an overall revenue requirement of \$260,543 and that an annual revenue increase of \$18,259, or 7.58 percent, is necessary to generate the overall revenue requirement. With the exception of fire protection rates, Staff further found that an across-the-board increase to all rate classes is the appropriate means to allocate the increased revenue requirement.

On October 9, 2017, Dexter-Almo filed with the Commission its comments on Staff's report wherein it agreed with Staff's findings and requested that the Commission base its decision on the existing record. Dexter-Almo also waived its right to request an informal conference or a formal hearing.¹

BACKGROUND

Dexter-Almo is a water district organized pursuant to KRS Chapter 74 and provides water service to approximately 805 residential and commercial customers residing in Calloway County, Kentucky.²

TEST PERIOD

The calendar year ended December 31, 2016, should be used as the test year to determine the reasonableness of Dexter-Almo's existing and proposed water rates, as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

Based on the findings of the Staff Report, Dexter-Almo's pro forma operations should be as follows:

	2016 Annual Report	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$ 221,119	\$ 21,165	\$ 242,284
Operating Expenses	254,158	(11,389)	242,769
Net Operating Income	\$ (33,039)	\$ 32,554	\$ (485)

¹ Letter from Joe Dan Taylor, Chairman, Dexter-Almo Heights Water District, to John Lyons, Acting Executive Director, Public Service Commission (Oct. 9, 2017).

² *Annual Report of Dexter-Almo Heights Water District to the Public Service Commission for the Calendar Year Ended December 31, 2016* at 12 and 38.

REVENUE REQUIREMENTS

In its report, Staff determined that Dexter-Almo requires an increase in revenues of \$18,259, or 7.582 percent, above pro forma operating revenues from base rates, as shown below:

Pro Forma Operating Expenses	\$ 242,769
Plus: Average Debt Service and Coverage	<u>17,774</u>
Total Revenue Requirement	260,543
Less: Other Operating Revenue and Interest Income	<u>(1,466)</u>
Revenue Required from Rates	259,077
Less: Normalized Revenues from Water Sales	<u>(240,818)</u>
Required Revenue Increase/(Decrease)	<u>\$ 18,259</u>
Percentage Increase	<u>7.582%</u>

SUMMARY

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

1. The findings contained in the Staff Report are supported by the evidence of record and are reasonable.
2. The rates proposed by Dexter-Almo would produce revenues in excess of the amount found reasonable herein and should be denied.
3. The rates set forth in the Appendix to this Order are fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

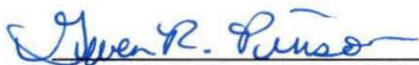
1. The findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.

2. The rates proposed by Dexter-Almo are denied.
3. The rates set forth in the Appendix to this Order are approved for services rendered by Dexter-Almo on and after the date of this Order.
4. Within 20 days of the date of this Order, Dexter-Almo 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.
5. Dexter-Almo shall modify the depreciable lives currently assigned to Transmission and Distribution Mains ("Mains") from 25 and 50 years to 62.5 years and modify the depreciable lives currently assigned to Meters from 25 and 50 years to 42.5 years. These modifications reflect the mid-point of the depreciable lives of the National Association of Regulatory Utility Commissioners ranges and were found to be reasonable by Staff in its report. Dexter-Almo shall depreciate Mains over 62.5 years and meters over 42.5 years for accounting purposes in all future reporting periods. No adjustment to accumulated depreciation, or retained earnings should be made to account for this change in the accounting estimate.

By the Commission



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00191 DATED **NOV 21 2017**

The following rates and charges are prescribed for the customers in the area served by Dexter-Almo Heights 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.

Monthly Water Rates

First	2,000 Gallons	\$	15.14	Minimum Bill
Next	1,000 Gallons		5.82	per 1,000 Gallons
Next	2,000 Gallons		5.07	per 1,000 Gallons
Next	45,000 Gallons		4.74	per 1,000 Gallons
Over	50,000 Gallons		3.67	per 1,000 Gallons

*Dexter-Almo Heights Water District
351 Almo Road
Almo, KY 42020

*Kathy Wyatt
Office Manager
Dexter-Almo Heights Water District
351 Almo Road
Almo, KY 42020