

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GREEN-TAYLOR WATER)	CASE NO.
DISTRICT FOR AN ALTERNATIVE RATE)	2018-00030
ADJUSTMENT)	

ORDER

On January 19, 2018, Green-Taylor Water District (Green-Taylor District) tendered an application (Application) with the Commission, pursuant to 807 KAR 5:076, requesting to adjust its rates for water service. By letter dated January 31, 2018, the Commission notified Green-Taylor District that the application was rejected as deficient. On February 13, 2018, Green-Taylor District was notified that the deficiencies were cured and its Application was deemed filed on February 9, 2018. In its Application, Green-Taylor District requested rates that would increase annual water sales revenues by \$268,203, an 11.84 percent increase to pro forma present rate water sales revenues.

Commission Staff (Staff), on February 27, 2018, issued a report (Report) summarizing its findings regarding Green-Taylor District's requested rate adjustment. In its Report, Staff found that Green-Taylor District's adjusted test-year operations support an overall revenue requirement in the amount of \$2,709,092 and that an annual revenue increase in the amount of \$211,253, or 8.86 percent, is necessary to generate the overall revenue requirement.

On July 25, 2018, Green-Taylor District filed with the Commission its comments on Staff's Report wherein it did not object to any of the Staff's findings. With its comments, Green-Taylor District did not request a conference or hearing.¹

BACKGROUND

Green-Taylor 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 4,952 customers that reside in Adair, Green, Metcalf, and Taylor Counties, Kentucky.² Green-Taylor District purchases all of its water. This is Green-Taylor District's first general rate adjustment since 2009.

TEST PERIOD

The calendar year ended December 31, 2016, was used as the test year to determine the reasonableness of Green-Taylor 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 Green-Taylor District's pro forma income statement as follows:

¹ Letter from Josh Pedigo, General Manager, Green-Taylor Water District, to Gwen R. Pinson Executive Director, Public Service Commission (July 19, 2018).

² *Annual Report of Green-Taylor Water District to the Public Service Commission for the Calendar Year Ended December 31, 2016* ("Annual Report") at 12 and 48.

	2016 Annual Report	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$ 2,408,163	\$ 89,675	\$ 2,497,838
Operating Expenses	<u>2,230,938</u>	<u>(10,995)</u>	<u>2,219,943</u>
Net Operating Income	177,225	100,670	277,895
Interest Income	<u>5,117</u>	<u></u>	<u>5,117</u>
Income Available for Debt Service	<u>\$ 182,342</u>	<u>\$ 100,670</u>	<u>\$ 283,012</u>

REVENUE REQUIREMENTS

Based upon the Commission's findings and determinations herein, Green-Taylor District requires an increase in revenues of \$211,253, or 8.86 percent above pro forma present rate revenues, as shown below:

Pro Forma Operating Expenses	\$2,219,943
Plus: Average Annual Debt Payments	407,624
Additional Working Capital	<u>81,525</u>
Overall Revenue Requirement	2,709,092
Less: Other Operating Revenue	<u>(114,057)</u>
Revenue Required From Rates	2,595,035
Less: Pro Forma Present Rate Revenues	<u>(2,383,782)</u>
Required Revenue Increase	<u>\$ 211,253</u>
Percent Increase	<u>8.86%</u>

RATE DESIGN

The Commission finds that in the absence of a cost-of-service study the proposed across-the-board method is an appropriate and equitable method to allocate the increased cost to Green-Taylor District's customers. The rates in the Appendix attached to this Order will produce water rate revenues of approximately \$2,595,035. The revenue requirement is determined herein to be reasonable by

the Commission. The monthly bill of a typical residential customer using 4,000 gallons will increase from \$37.40 to \$40.73, an increase of \$3.33, or 8.90 percent. As stated in the Staff Report, Commission Staff discovered that Green-Taylor District had been charging incorrect rates to two commercial customers, a large trailer park and a small trailer park. Green-Taylor District quickly corrected this error and filed into the record a letter detailing its findings regarding the rates that should have been charged to these two commercial customers. Green-Taylor has, from the time the error was discovered, charged these customers the correct rates as stated in its tariff.

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 Commission has historically used a 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 Green-Taylor District's pro forma operations results in an Overall Revenue Requirement in the amount of \$2,709,092. A revenue increase of \$211,253 from water service rates is necessary to generate the overall revenue requirement.
3. The water service rates proposed by Green-Taylor District should be denied.

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

5. Green-Taylor District should file with the Commission a detailed report on what actions it will take to prevent customers being charged incorrect rates. This report also should state how Green-Taylor District plans to recover revenue lost due to the undercharging of the two commercial customers.

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 Green-Taylor District are denied.

3. The rates set forth in the Appendix to this Order are approved for service rendered by Green-Taylor District on and after the date of this Order.

4. Within 60 days of the date of this Order, Green-Taylor District shall file with the Commission a report of the actions it will take to prevent customers being charged incorrect rates.

5. Within 90 days of the date of this Order, Green-Taylor District shall file with the Commission a report on what actions it will take to collect any uncollected revenue due from the two commercial customers that were undercharged.

6. Within 20 days of the date of this Order, Green-Taylor 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. Any document filed pursuant to ordering paragraphs 4 and 5 of this Order shall reference the number of this case and shall be retained in the post case correspondence file.

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

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By the Commission

ENTERED
AUG 17 2018
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00030 DATED **AUG 17 2018**

The following rates and charges are prescribed for the customers in the area served by Green-Taylor 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

5/8-Inch x 3/4-Inch Meter

First 2,000 Gallons	\$22.21	Minimum Bill
Next 3,000 Gallons	9.26	per 1,000 Gallons
Next 5,000 Gallons	7.40	per 1,000 Gallons
Over 10,000 Gallons	4.71	per 1,000 Gallons

3/4-Inch Meter

First 3,000 Gallons	\$31.47	Minimum Bill
Next 2,000 Gallons	9.25	per 1,000 Gallons
Next 5,000 Gallons	7.40	per 1,000 Gallons
Over 10,000 Gallons	4.71	per 1,000 Gallons

1-Inch Meter

First 5,000 Gallons	\$49.99	Minimum Bill
Next 5,000 Gallons	7.40	per 1,000 Gallons
Over 10,000 Gallons	4.71	per 1,000 Gallons

1 1/2-Inch Meter

First 10,000 Gallons	\$86.99	Minimum Bill
Over 10,000 Gallons	4.71	per 1,000 Gallons

2-Inch Meter

First 20,000 Gallons	\$134.09	Minimum Bill
Over 20,000 Gallons	4.71	per 1,000 Gallons

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