

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

In the Matter of:

THE APPLICATION OF THE SOUTH CUMBERLAND)
WATER DISTRICT, A WATER DISTRICT ORGANIZED)
PURSUANT TO CHAPTER 74 OF THE KENTUCKY)
REVISED STATUTES, OF CUMBERLAND COUNTY)
KENTUCKY, FOR (1) A CERTIFICATE OF PUBLIC) CASE NO.
CONVENIENCE AND NECESSITY, AUTHORIZING) 7132
AND PERMITTING SAID WATER DISTRICT TO)
CONSTRUCT A WATERWORKS CONSTRUCTION)
PROJECT, CONSISTING OF EXTENSIONS, ADDI-)
TIONS AND IMPROVEMENTS TO THE EXISTING)
WATERWORKS SYSTEM OF THE DISTRICT; AND)
(2) APPROVAL OF THE PROPOSED PLAN OF)
FINANCING OF SAID PROJECT)

O R D E R

An Order of this Commission in Case No. 7852 entered August 1, 1980, certificated the construction of water main extensions by this Utility and approved the financing thereof by a 100% HUD grant in the amount of \$500,000. Approximately 160 customers are being added by this construction. The projected net income of \$1,700 from the 160 new customers that should be realized from the Utility's existing rates is a primary consideration in the final determination of rate adjustments in the instant case.

An Order of this Commission in the instant case entered August 25, 1978, certificated a \$286,000 project for construction of approximately 11.9 miles of water mains to serve approximately 120 new customers. This Order questioned the Utility's rates on the basis that revenues produced therefrom would be less than those required for coverage of operating expenses and debt-service. The Utility was, therefore, ordered to file for an adjustment in its rates for production of the required revenues from a total of 270 customers. The 120 new project area customers were included in the 270 total count. The Utility's delayed response requested a further delay on the basis that a merger with the City of Burkesville was under consideration. Later, after being advised that the merger

would not take place, the matter was set for further hearing on December 20, 1979. All parties of interest were notified. Intervenors of record at the hearing included the Attorney General's Office of Consumer Protection and Harold Barnes, Cumberland County Judge Executive.

Although the evidentiary record of the hearing shows that the Utility's revenues were less than its requirements, a plea was entered by Judge Barnes requesting the Commission delay its final determination in this matter until after the award of a construction contract on a proposed project for additional water main extensions from which additional revenues would be realized. Judge Barnes argued that the said additional revenues from a project to be financed by a \$500,000 HUD grant would increase the Utility's actual revenues to the level required for coverage of all its obligations and would negate the apparent need for rate adjustments.

The Utility has proceeded with its new project^{1/} with financing by the aforementioned \$500,000 HUD grant and is connecting approximately 160 new customers to its water distribution system.

The Commission's projections of revenues and expenses for the first twelve months of operations after completion of the aforementioned construction project are \$64,700 and \$63,000 respectively, based on a coverage factor of 1.2 times debt service requirements. Thus a net income of approximately \$1,700 should be realized and along with continued growth in customers should provide for the accumulation of a reasonable surplus. The 20% coverage of debt service should be accounted for by the Utility in its depreciation reserve account.

The Utility's records for the twelve months ended September 30, 1980, show it experienced excessive losses of

^{1/} The project hereinbefore delineated on the front sheet of this Order, and referenced as Case No. 7852.

water in the distribution thereof to its customers. That the unaccounted-for-water during this period approximated thirty-eight (38) percent of the total quantity purchased from the City of Burkesville. Further, that the Utility should conduct leak surveys throughout its service areas and perform the necessary remedial work for effective repair of detected leaks in order to reduce its cost of purchased water.

IT IS THEREFORE ORDERED that the existing rates being charged by the Utility under authority of this Commission be and they are hereby ratified as the rates to remain in effect for services rendered by the Utility.

IT IS FURTHER ORDERED that the Utility shall establish and maintain a program of emphasis on leak detection and correction until such time as its distribution system losses have been reduced to fifteen (15) percent or less for three consecutive months. Further, that the Utility shall submit monthly reports of said losses to this Commission until they have been stabilized at 15% or less. Such reports shall include the quantity of water purchased, the quantity sold and the quantity unaccounted for.

Done at Frankfort, Kentucky, this 11th day of November, 1980.

UTILITY REGULATORY COMMISSION

Vice Chairman

Commissioner

ATTEST:

Secretary