

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of

NOTICE OF WOODLAWN, OAKDALE, AND )  
HUSBANDS ROAD WATER DISTRICT PUR- )  
SUANT TO KRS 278.180, 278.190, )  
AND RELATED STATUTES, AND 807 KAR )  
1:010, SECTION 9, AND 807 KAR )  
2:020, SECTIONS 5 THROUGH 8, AND )  
RELATED SECTIONS, THAT THE DIS- )  
TRICT PROPOSES TO PUBLISH AN EF- )  
FECTIVE TARIFF WHICH INCREASES )  
THE SEWER RATE OF ITS CUSTOMERS )  
IN ITS CERTIFICATED SERVICE AREA. )

CASE NO. 7382

O R D E R

Preface

On March 27, 1979, Woodlawn, Oakdale, and Husbands Road Water District, the Applicant, filed with this Commission<sup>(1)</sup> its duly verified application seeking authority to increase its sewage service rates.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, September 17, 1979. All parties of interest were notified and the Consumer Protection Division of the Attorney General's Office intervened in the matter. At the hearing certain requests for additional information were made by the Commission staff. This information has been filed and the entire matter is now considered to be fully submitted for a final determination by this Commission.

Test Period

The Applicant has selected the twelve month period ending December 31, 1978, as the "Test-Year" and has submitted a tabulation of its revenues and expenses for this period including the proforma adjustments thereto for the Commission's consideration in the determination of rate adjustments.

Findings in This Matter

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and finds:

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(1) The predecessor of the present Utility Regulatory Commission was the Public Service Commission which was dissolved March 31, 1979.

(1) That the Applicant, which is both a sewage utility and a water utility, only provides sewage services to its customers; with water services in the Woodlawn, Oakdale, and Husbands Road Water District being provided by the City of Paducah. Further, the City of Paducah provides sewage customer billing services for the Applicant and sewage service rates are based upon metered water usage.

(2) That according to the record in this matter, the City of Paducah increased its water service rates in August of 1975. Further, that the record also indicates that the said increase in water service rates was carried over into the sewage service rates of the Applicant thru procedures utilized by the billing office of the City of Paducah. Further, the Applicant has testified that the said increase in sewage service rates was inadvertently imposed on its customers by its billing and collecting agent without its knowledge thereof.

(3) That the Applicant, after discovery that its billing and collecting was based on unauthorized rates, filed an application with this Commission for approval of the said rates.

(4) That the rates now proposed by the Applicant are the same as those charged during the test-year in which they produced annual revenues of \$172,345 from an average of 1441 customers. The addition of interest income thereto resulted in gross revenues of \$182,529 for the test year. Further, that the Applicant's expenses of \$147,611 for this period resulted in a net income before debt retirement of \$34,918.

(5) That the Applicant's annual proforma expenses are estimated by the Commission to be \$170,505, an increase of \$22,894 over test year expenses.

(6) That the rates proposed by the Applicant and as prescribed and set forth in Appendix "A", attached hereto and made a part hereof, should produce annual revenues of approximately \$182,500 from 1525 customers. Further, that additional revenues of approximately \$11,500 anticipated as interest income should result in gross annual revenues of approximately \$194,000 and

an annual net income before debt retirement of \$23,495. Further, that the Appendix "A" rates are the fair, just, and reasonable rates to be charged by the Woodlawn, Oakdale, and Husbands Road Water District and should be approved by this Commission.

(7) That the Commission after considering the tabulation of test-year and projected revenues and expenses submitted by the Applicant concludes that said revenues, expenses, and pro-forma adjustments can be summarized as shown in Appendix "B", attached hereto and made a part hereof. On the basis of this tabulation, the Commission further concludes that gross annual revenues in the amount of \$194,000 are necessary and will permit the Applicant to meet its reasonable expenses for providing sewage disposal services to its customers.

(8) That all monies collected from the Applicant's customers by the unauthorized rates subsequent to August, 1975 which exceeded the amounts that would have been collected on the basis of the Applicant's authorized rates<sup>(2)</sup> should be refunded by the Applicant to the customers from which said excess monies were collected.

(9) That the Applicant should provide a complete listing to this Commission of all customers to whom refunds are due and said listing should also include the amount of refund due to each affected customer.

(10) That the Applicant should provide this Commission with a plan detailing how and when affected customers will be refunded.

(11) That the Applicant's sewage service rates and its water service rates should be set forth in its official tariffs as separate and independent rates in such a manner that an adjustment in either of these rates can be made independently of the

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(2) The Applicant's authorized rates prior to the date of this Order were those set forth in Appendix "A" of an Order of this Commission entered February 25, 1974, in Case No. 5948 and were as follows for all customers: \$8.50 per month minimum rate or 100% of the customer's monthly water bill after the water bill exceeded \$8.50.

other rates. Further that this distinction between the rates be clearly set forth in a written directive to any office which performs billing and collecting services for the Applicant.

ORDERS IN THIS MATTER

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the rates as proposed by the Woodlawn, Oakdale, and Husbands Road Water District and as prescribed and set forth in Appendix "A", attached hereto and made a part hereof, be and the same are hereby fixed as the fair, just, and reasonable rates of the Woodlawn, Oakdale, and Husbands Road Water District to become effective for services rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the Woodlawn, Oakdale, and Husbands Road Water District shall provide for a distinct and independent separation of its sewage service rates and its water service rates and set forth this distinction in its official tariffs. Further, that the result of this distinction shall make possible an adjustment of either of the said rates independently of the other rates as previously set forth herein in "Finding No. 11". Further, that this distinction between the rates shall be clearly set forth in a written directive to the office now performing the billing and collecting services and that a copy of this directive shall be filed with this Commission within thirty (30) days of the date of this Order.

IT IS FURTHER ORDERED that Woodlawn, Oakdale, and Husbands Road Water District shall refund to its customers all monies collected subsequent to August, 1975 which exceeded the amounts that would have been collected on the basis of rates approved by Order in Case Number 5948.

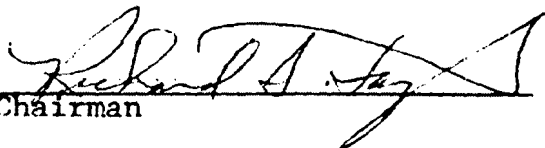
IT IS FURTHER ORDERED that the Woodlawn, Onkdalc, and Husbands Road Water District shall provide this Commission within thirty (30) days of the date of this Order, a listing of all customers who shall be refunded. Said listing shall also include the amount of refund due to each customer.

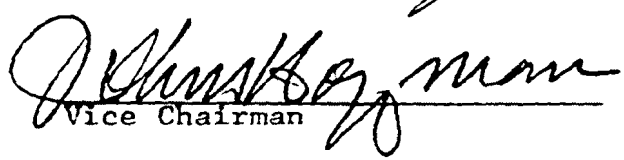
IT IS FURTHER ORDERED that the Woodlawn, Oakdale, and Husbands Road Water District shall provide this Commission, within thirty (30) days of the date of this Order, a plan detailing how and when affected customers shall be refunded.

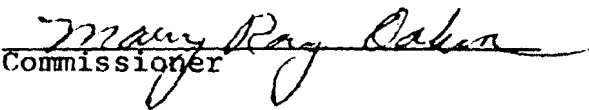
IT IS FURTHER ORDERED that the Woodlawn, Oakdale, and Husbands Road Water District shall file with this Commission, within thirty (30) days from the date of this Order, its tariff sheets setting forth the rates approved herein. Further, that copies of all the District's rules and regulations for providing water service to customers located in the Woodlawn, Oakdale, and Husbands Road Water District, McCracken County, Kentucky, shall be filed with the said tariff sheets.

Done at Frankfort, Kentucky, this 25th day of January, 1980.

UTILITY REGULATORY COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7382 DATED JANUARY 25, 1980.

The following rates are prescribed for sewage services rendered to all customers of the Woodlawn, Oakdale, and Husbands Road Water District located in McCracken County, Kentucky. All other rates and charges not mentioned specifically herein shall remain the same as those in effect prior to the date of this Order.

Monthly sewage service bills shall be computed from the following Rate Schedule which is based on the Sewage Customer's Metered Water Usage:

<u>Gallonage Blocks of Metered Water Usage</u>	<u>Monthly Rate for Sewage Disposal Services</u>
000 - 7,200	\$8.50 (Minimum Bill)
7,201 - 10,000	1.18 per 1,000 gallons
10,001 - 100,000	.65 per 1,000 gallons
100,001 - 500,000	.52 per 1,000 gallons
Over 500,000	.42 per 1,000 gallons

APPENDIX "B"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7382 DATED JANUARY 25, 1980.

In accordance with Finding No. 7, the following tabulation is the Commission's summary of the test year and projected annual revenues and expenses for the Applicant's 500,000 GPD sewage treatment facilities which served approximately 1441 customers during the test-year and is projected to serve approximately 1525 proforma customers located in McCracken County, Kentucky.

	Test <sup>(1)</sup> <u>Year</u>	Proforma <sup>(1)</sup> <u>Requested</u>	Proforma Found <u>Reasonable</u>
(Number of customers)	(1441)	(1525)	(1525)
<u>Revenues:</u>			
1. Sewage Service Fees	\$172,345	\$182,500	\$182,500
2. Interest Income	10,184	11,500	11,500
Total Revenues	<u>\$182,529</u>	<u>\$194,000</u>	<u>\$194,000</u>
<u>Expenses:</u>			
1. Administrative & General			
(a) Directors fees	\$ 1,800	\$ 1,800	\$ 1,800
(b) Salaries-office	1,683	3,850	3,850
(c) Rent	600	900	900
(d) Supplies	137	600	600
(e) Miscellaneous	50	140	50 <sup>(2)</sup>
2. Billing & Collecting	1,648	1,750	1,750
3. Operations & Maintenance:			
(a) Operation supervision & Labor	12,800	25,000	25,000
(b) Maintenance & Repairs	16,476	16,500	16,500
(c) Power & Fuel	9,185	10,300	10,300
(d) Chemicals	1,431	1,750	1,431 <sup>(2)</sup>
(e) Supplies	2,415	3,800	3,525 <sup>(3)</sup>
4. Depreciation	19,425	20,500	20,500
5. Interest:			
(a) Long term debt	73,838	72,713	71,425 <sup>(4)</sup>
(b) Bond discount amorti- zation	4,614	4,614	4,614
6. Professional Services			
(a) Accounting & Legal - annual	1,030	1,130	1,030 <sup>(2)</sup>
(b) 3-Year amortization of rate case expense of \$6,186	-0-	2,062	2,062
7. Regulatory Commission fees	238	238	238
8. Insurance	162	3,100	3,100
9. Taxes - payroll	79	1,830	1,830
Total Expenses	<u>\$147,611</u>	<u>\$172,577</u>	<u>\$170,505</u>
Net Income Before Debt Retirement (and Before Payment of Refunds)	\$ 34,918	\$ 21,423	\$ 23,495

(1) Test Year and Pro Forma Requested expenses were taken from the Applicant's Comparative Income Statement for the test year ending December 31, 1978.

(2) The requested allowances for items 1 (e), 3 (d), and 6 (a) were respectively reduced to test-year amounts as the Applicant failed to properly justify the requested adjustments. These adjustments were not substantiated by known and measureable factors; were considered to be speculative; and were, therefore, disallowed.

(3) The proforma expense allowance for item 3 (e), supplies, was reduced to the Applicant's two-year average for this expense. Speculative adjustments, as mentioned in footnote (2) above are disallowed by this Commission.