

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

AN ADJUSTMENT OF RATES FOR THE )  
MARTIN COUNTY WATER DISTRICT ) CASE NO. 7503  
NO. 1 )

O R D E R

Preface

On June 28, 1979, the Martin County Water District No. 1 hereinafter referred to as the "Utility", filed with this Commission its application for an adjustment of its water service rates. The rates sought by the Utility would increase annual revenues by approximately \$66,756 over test-year revenues.

The case was set for hearing on November 15, 1979 at the Commission's offices in Frankfort, Kentucky, and all parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes. The Consumer Protection Division of the Attorney General's Office is an intervenor of record in this 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 Utility has selected the twelve (12) month period ending March 31, 1979, as the Test-Year and has submitted tabulations of its actual revenues and expenses for this period and its proforma adjustments to these expenses for consideration by the Commission in the making of its Order in this matter. These tabulations along with those found reasonable by the Commission are included in Appendix "B" of this Order.

## Findings In This Matter

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

1. That KRS 278.020 (1) states:

"No person, partnership, public or private Corporation or combination thereof shall begin the construction of any plant, equipment, property or facility for furnishing to the public any of the services enumerated in KRS 278.010, except retail electric suppliers for service connections to electric-consuming facilities located within its certified territory and ordinary extensions of existing systems in the usual course of business, until such person has obtained from the Public Service Commission<sup>(1)</sup> a certificate that public convenience and necessity requires such construction. Upon the filing of an application for such a certificate, and after a public hearing of all parties interested, the Commission may issue or refuse to issue it in part and refuse it in part. . . ."

Further, that according to the record in this matter, the Utility is in violation of KRS 278.020(1) in that it has proceeded with construction without obtaining a certificate that public convenience and necessity required such construction.

Further that the Utility has requested that its new rates provide for coverage of its depreciation expense and servicing of the debt on its non-certificated construction.

Further that the Commission finds that the requested depreciation expense and debt service expense should be disallowed on that part of the Utility's waterworks system that has not been certificated by this Commission.

2. That the Utility should, within thirty (30) days of the date of this Order, file an application with this Commission requesting certification of the construction project for which it now seeks approval of a depreciation and debt service expense. Further, the Utility's application should also request approval of the method of financing of the said construction project.

3. That further findings herein regarding the Utility's proforma revenues, proforma expenses and adequacy of rates does not include consideration of the Utility's expenses for its most recent construction project on which it failed to obtain a Certificate of Public Convenience and Necessity from this Commission.

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(1) The Public Service Commission was the predecessor of the Utility Regulatory Commission.

4. That the Utility's existing rates produced annual revenues of approximately \$127,023 from an average of 845 customers receiving water service during the test-year. The addition of \$79 interest income, \$69 service fees and \$892 penalties yielded total revenues of \$128,063 for the test-year.

5. That the Utility's proforma annual operating expenses, including depreciation and interest, are estimated to be approximately \$140,513.

6. That the rates prescribed and set forth in Appendix "A" attached hereto and made a part hereof, are the fair, just, and reasonable rates to be charged by the Utility for services rendered to its customers. Further, that these rates should produce annual revenues of approximately \$153,741. The addition thereto of \$79 interest income, \$69 service fees and \$892 penalties should provide total annual revenues of \$154,781, which should provide for: operating expenses including depreciation and interest, servicing of the debt, and the accumulation of a reasonable surplus for compliance with bond ordinance requirements.

7. That the Commission, after consideration of the Utility's tabulation of test-year and proforma revenues and expenses, concludes that said revenues, expenses and adjustments thereto can be summarized as shown in Appendix "B", attached hereto and made a part hereof. On the basis of the said Appendix "B" tabulation, the Commission further concludes that annual revenues in the amount of \$154,781 are necessary and will permit the Utility to meet its reasonable expenses for providing water services to its customers.

8. That the rates proposed by the Utility are unfair, unjust, and unreasonable in that they would produce revenues in excess of those found reasonable herein and should be denied.

9. The Order entered by this Commission on June 6, 1979 in Case No. 7109 ordered the Utility to take certain actions regarding its unaccounted for water as follows:

"IT IS FURTHER ORDERED that the Martin County Water District No. 1 establish and maintain a program of emphasis on leak detection and correction until such time as its distribution system losses have been reduced to 15% or less for three consecutive months.

Further, that the District shall submit monthly reports of its distribution system losses to this Commission until such time as such losses have been stabilized at 15% or less. Such reports shall include the quantity of water purchased, the quantity of water sold to Martin County Water District No. 2, the quantity of water sold to its customers excluding Martin County Water District No. 2, the quantity of unaccounted for water and the percentage of unaccounted for water relative to total production less the quantity sold to Martin County Water District No. 2.

No response to the above Order has been received as of the date of this Order; and the Utility is hereby reminded that it is in violation of an official Order of this Commission and is now subject to the provisions of KRS 278.390, which is hereby quoted as follows:

278.390 [3952-13] Enforcement of Orders

The Commission may compel obedience to its lawful orders by mandamus, injunction or other proper proceedings in the Franklin Circuit Court or any other court of competent jurisdiction, and such proceedings shall have priority over all pending cases. Every order entered by the Commission shall continue in force until the expiration of the time, if any named by the Commission in the Order, or until revoked or modified by the Commission, unless the Order is suspended, or vacated in whole or in part, by order or decree of a court of competent jurisdiction.

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 Utility's request for inclusion of expenses for that part of the Utility's waterworks system that has not been certificated by this Commission be and it is hereby denied.

IT IS FURTHER ORDERED that the Utility shall, within thirty (30) days of the date of this Order, file with this Commission an application for certification of that part or parts of its waterworks system that have not been certificated by this Commission.

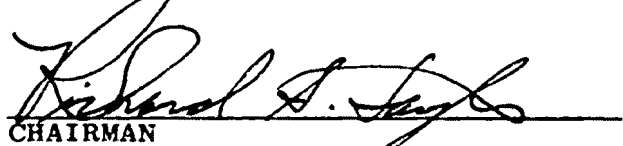
IT IS FURTHER ORDERED that the rates as prescribed and set forth in Appendix "A", attached hereto, be and they hereby are fixed as the fair, just, and reasonable rates of the Utility to become effective for services rendered on and after the date of this Order.

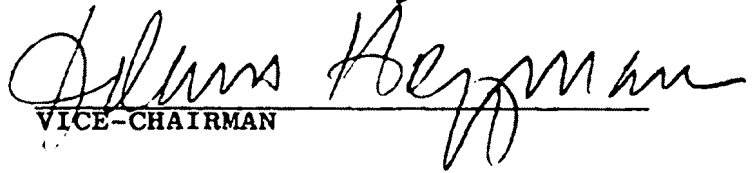
IT IS FURTHER ORDERED that the rates sought by the Utility be and the same are hereby denied.

IT IS FURTHER ORDERED that the Utility 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 a copy of the Utility's "Rules and Regulations" for providing service to its customers shall be filed with said tariff sheets.

Done at Frankfort, Kentucky, this 21st day of April, 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. 7503 DATED APRIL 21, 1980.

The following rates are hereby prescribed for the customers served by the Martin County Water District No. 1. All other rates and charges not mentioned specifically herein shall remain the same as those in effect prior to the date of this Order.

Retail Customers:

Gallage Blocks For  
Each Meter Size

Monthly Rate For  
Each Gallage Block

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

First	2,000 gallons	\$7.15 (Minimum Bill)
Next	3,000 gallons	1.70 per 1,000 gallons
Next	5,000 gallons	1.50 per 1,000 gallons
Next	15,000 gallons	1.30 per 1,000 gallons
Next	25,000 gallons	.90 per 1,000 gallons
Next	50,000 gallons	.80 per 1,000 gallons
Next	100,000 gallons	.70 per 1,000 gallons
All Over	200,000 gallons	.60 per 1,000 gallons

1-inch Meter

First	5,000 gallons	\$13.15 (Minimum Bill)
Next	5,000 gallons	1.50 per 1,000 gallons
Next	15,000 gallons	1.30 per 1,000 gallons
Next	25,000 gallons	.90 per 1,000 gallons
Next	50,000 gallons	.80 per 1,000 gallons
Next	100,000 gallons	.70 per 1,000 gallons
Over	200,000 gallons	.60 per 1,000 gallons

1 1/4-inch Meter

First	6,000 gallons	\$14.65 (Minimum Bill)
Next	4,000 gallons	1.50 per 1,000 gallons
Next	15,000 gallons	1.30 per 1,000 gallons
Next	25,000 gallons	.90 per 1,000 gallons
Next	50,000 gallons	.80 per 1,000 gallons
Next	100,000 gallons	.70 per 1,000 gallons
Over	200,000 gallons	.60 per 1,000 gallons

1 1/2-inch Meter

First	7,500 gallons	\$16.90 (Minimum Bill)
Next	2,500 gallons	1.50 per 1,000 gallons
Next	15,000 gallons	1.30 per 1,000 gallons
Next	25,000 gallons	.90 per 1,000 gallons
Next	50,000 gallons	.80 per 1,000 gallons
Next	100,000 gallons	.70 per 1,000 gallons
Over	200,000 gallons	.60 per 1,000 gallons

2-inch Meter

First	10,000 gallons	\$20.65 (Minimum Bill)
Next	15,000 gallons	1.30 per 1,000 gallons
Next	25,000 gallons	.90 per 1,000 gallons
Next	50,000 gallons	.80 per 1,000 gallons
Next	100,000 gallons	.70 per 1,000 gallons
Over	200,000 gallons	.60 per 1,000 gallons

**Wholesale Customers:**

**Martin County Water District No. 2**

**\$0.60 per 1,000 gallons**

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**Meter reading accuracy shall provide for the billing of the Utility's customers to the nearest one hundred (100) gallons of usage per billing period.**

APPENDIX "B"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7503 DATED APRIL 21, 1980.

In accordance with Finding No. 7, the following is the Commission's summary of "Test Year" and projected annual revenues and expenses of the Martin County Water District #1.

	<u>Test-Year(1)</u> (4-1-78 to 3-31-79)	<u>Proforma(1)</u> <u>Requested</u>	<u>Proforma</u> <u>Found</u> <u>Reasonable</u>
(Average No. Customers)	(845)	(900)	(900)
<b><u>REVENUES:</u></b>			
1. Water Sales-Retail	\$ 97,157	\$136,915	\$108,920
2. Water Sales- Wholesale	29,866	56,864	44,821
3. Service Fees	69	69	69
4. Penalties	892	892	892
5. Interest	79	79	79
<b>Total Revenues</b>	<b>\$128,063</b>	<b>\$194,819</b>	<b>\$154,781</b>
<b><u>EXPENSES:</u></b>			
1. Pumping Expense	\$ 8,655	\$ 8,655	\$ 8,655
2. Water Treatment			
(a) Chemicals	11,475	11,475	11,475
(b) Plant Main- tenance	2,250	2,250	2,250
3. Transmission & Distribution:			
(a) Operation Labor	28,434	28,434	28,434
(b) Supplies & Expenses	1,513	5,013	1,513(4)
(c) Mtn. of Mains	3,109	3,109	3,109
(d) Mtn. of Services	350	350	350
4. Admin. & General:			
(a) Salaries	11,456	23,956	11,456(4)
(b) Supplies & Expenses	3,344(2)	3,344	3,344
(c) Outside Services- Backhoe	1,822	1,822	1,822
(d) Outside Services- Labor	2,844	2,844	2,844
(e) Employee Benefits	6,250	6,250	6,250
(f) Advertising	18	18	18
(g) Misc. General Expenses	563(3)	563	563
(h) Transportation	2,332	2,332	2,332
5. Depreciation	34,275	59,275	34,275(5)
6. Interest, Long-Term	8,945	35,345	8,945(5)
7. Rate Case (\$3,000/3-yrs.)	-0-	1,000	1,000
8. Taxes:			
(a) Payroll	6,812	6,812	6,812
(b) Advalorem	337	337	337
(c) Regulatory Com.	150	150	150
(d) Vehicle License & Tax	224	224	224
9. Insurance	4,355	4,355	4,355
<b>Total Expenses</b>	<b>\$139,513</b>	<b>\$207,913</b>	<b>\$140,513</b>
<b>Surplus (Deficit)</b>	<b>(\$11,450)</b>	<b>(\$13,094)</b>	<b>\$ 14,268</b>



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(1) "Test-Year" and "Proforma" revenues and expenses were taken from the Utility's Comparative Income Statement for the twelve month period ending March 31, 1979.

(2) Two supplies and expenses amounts (\$2,626 and \$718) were combined into one amount of \$3,344.

(3) The \$563 listed as "Miscellaneous General Expenses" is the summation of some smaller amounts listed by the Utility including \$50 for rent.

(4) The Utility failed to adequately justify its proforma requested amounts for these expenses (Items 3.b and 4.a) and they were, therefore, reduced to the test-year amounts.

(5) In accordance with finding no. 1 of this Order, the Commission finds that the Utility's requested increases in depreciation expense and long-term interest expense resulting from new construction work should be disallowed until such time as the Utility has obtained a "Certificate of Public Convenience and Necessity" for its new construction.