

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

ADJUSTMENT OF RATES OF THE SOUTH )  
WOODFORD COUNTY WATER DISTRICT ) CASE NO. 7517

ORDER

Preface

On July 17, 1979 the South Woodford County Water District hereinafter referred to as the "Utility", filed with this Commission its petition seeking an increase in water rates to be charged by the District. The rate increase sought by the Utility would increase annual revenues by approximately \$35,067 over test-year revenues.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, September 28, 1979 and was continued on November 16, 1979. All parties were notified with the Consumer Protection Division of the Attorney General's Office permitted to intervene 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 Utility has selected the twelve month period ending June 30, 1979, as the "Test-Year" and has submitted tabulations of its revenues and expenses for this period including its proforma adjustments thereto for the Commission's consideration in the determination of rate adjustment. Said tabulations along with those found reasonable by this Commission are included in Appendix "C" 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 the existing rates charged by the Utility produced annual revenues of approximately \$67,602 from an average of 440 customers receiving water service during the test-year; and the addition thereto of \$2,565 interest income yielded total revenues of \$70,167 for the period.

2. That the Utility's proforma annual operating expenses, including depreciation and interest, are estimated to be approximately \$90,586.

3. 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 \$96,961. The addition thereto of \$2,565 Interest Income should provide total annual revenues of \$99,526, 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.

4. That the Commission, after consideration of the tabulations of test-year and projected revenues and expenses submitted by the Utility, concludes that said revenues, expenses and proforma 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 \$99,526 are necessary and will permit the Utility to meet its reasonable expenses for providing water services to its customers.

5. 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.

6. That the Utility should directly inform each of its customers of the magnitude of the increase in rates allowed herein and the specific basis for this increase.

7. The record in this case shows that the Utility's unaccounted for water is excessive and does not reflect adequate accountability for its purchased water. The Commission, therefore, finds that the Utility should 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 Utility should submit monthly reports of said losses to this Commission until such time as these losses have been stabilized at 15% or less. Such reports shall include the quantity of water purchased, the quantity of water sold and the quantity of unaccounted for water.

8. That according to Kentucky Revised Statutes, Chapter 74.361, the Kentucky General Assembly has determined that the reduction in the number of water districts and associations operating in the Commonwealth is in the public interest, "in that mergers of such Districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more business-like degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public...". Therefore, the Commission further finds that the Utility should investigate the possibilities of merger with the other water utilities operating in this area, and report to this Commission the findings of their investigation within ninety (90) days of the date of this Order.

#### 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 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 shall directly inform each of its customers of the magnitude of the increase in rates approved herein and of the specific basis for this increase. Further, that the Utility shall, within thirty (30) days of the date of this Order, file with this Commission its certification that its customers have been duly informed as ordered herein.

IT IS FURTHER ORDERED that the Utility shall establish and maintain a program of emphasis on leak detection and correction and make monthly reports to this Commission as previously set forth herein in Finding No. 6.

IT IS FURTHER ORDERED that the Utility investigate the possibilities of merger with the other water utilities operating in the area and make a written report of the findings of said investigation to this Commission within ninety (90) days of the date of this Order.

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 19th day of February, 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. 7517 DATED FEBRUARY 19, 1980.

The following rates are hereby prescribed for the customers served by the South Woodford County Water District. All other rates and charges not mentioned specifically herein shall remain the same as those in effect prior to the date of this Order.

<u>Gallage Blocks For Each Meter Size</u>	<u>Monthly Rate for Each Gallage Block</u>
<u>5/8-inch X 3/4-inch Meter</u>	
First 2,000	\$7.30 Minimum Bill
Next 2,000	\$2.15 Per 1,000 gallon
Next 6,000	\$1.50 Per 1,000 gallon
Next 90,000	\$1.35 Per 1,000 gallon
Over 100,000	\$1.20 Per 1,000
<u>3/4-inch Meter</u>	
First 5,000	\$13.10 Minimum Bill
Next 5,000	\$ 1.50 Per 1,000 gallons
Next 90,000	\$ 1.35 Per 1,000 gallons
Over 100,000	\$ 1.20 Per 1,000 gallons
<u>1-inch Meter</u>	
First 10,000	\$20.60 Minimum Bill
Next 90,000	\$ 1.35 Per 1,000 gallons
Over 100,000	\$ 1.20 Per 1,000 gallons
<u>1½-inch Meter</u>	
First 15,000	\$27.35 Minimum Bill
Next 85,000	\$ 1.35 Per 1,000 gallons
Over 100,000	\$ 1.20 Per 1,000 gallons
<u>2-inch Meter</u>	
First 20,000	\$34.10 Minimum Bill
Next 80,000	1.35 Per 1,000 gallons
Over 100,000	1.20 Per 1,000 gallons

All meters shall be read to the nearest one hundred gallons each month.

The monthly bill for a customer served by a 5/8" x 3/4" meter shall be \$7.30 for metered usages of zero (0) to two thousand (2,000) gallons. The additional charge for usage in excess of two thousand gallons shall be computed to the nearest one hundred (100) gallons of usage on the basis of the above unit costs per one thousand (1,000) gallons. Monthly bills for customers served by meters larger than 5/8" x 3/4" shall be computed in a similar manner with the total bill being either the minimum bill for that meter, or the summation of the minimum bill and the cost of any additional gallonage to the nearest one hundred (100) gallons.

APPENDIX "B"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7517 DATED FEBRUARY 19, 1980.

In accordance with Finding No. 3, the following is the Commission's summary of "Test Year" and projected annual revenues and expenses of the South Woodford County Water District.

	Test Year <sup>(1)</sup> 7/01/78 - 6/30/79	Proforma <sup>(2)</sup> Requested	Proforma Found Reasonable
(No. of Customers)	(440)	(463)	(489)
<u>Revenues:</u>			
Water Sales	\$ 67,602	\$102,669	\$ 96,961
Interest Income	<u>2,565</u>	<u>2,565</u>	<u>2,565</u>
Total Revenues	\$ 70,167	\$105,234	\$ 99,526
<u>Expenses:</u>			
1. Purchased Water	27,571	50,201	50,201
2. Debt to Versailles: \$5,207/3-yrs.	-0-	1,736	1,736
3. Meter Reading & Billing	8,019	8,435	8,435
4. Operation & Maintenance	219	1,000	219(6)
5. Repairs	3,245	6,000	6,000(5)
6. Utilities	220	400	220(3)
7. E.P.A. Monitoring	-0-	5,280	5,280
8. Accounting	400	400	400
9. Depreciation	7,254	7,254	7,254
10. Interest - Long Term Debt	7,880	7,840	7,840
11. Rate Case: \$4,407/3-yrs.	-0-	1,469	1,469
12. Commissioner's Salaries	1,200	1,200	1,200
13. Insurance	332	350	332(3)
14. Customer Meter Refunds	<u>323</u>	<u>300</u>	<u>-0- (4)</u>
Total Expenses	\$ 56,663	\$ 91,865	\$ 90,586
Net Income Before Debt Retirement	\$ 13,504	\$ 13,369	\$ 8,940

(1) Test Year Revenues and Expenses were taken from the Applicant's Comparative Income Statement (corrected) for the twelve month period ending June 30, 1979.

(2) Proforma requested revenues and expenses were taken from the Utility's financial statement (corrected).

(3) The Utility failed to adequately justify the requested increase and it was, therefore, disallowed by the Commission.

(4) Refunds of customer's deposits should be accounted for elsewhere in the accounts of the Utility and should not be listed as an annual expense.

(5) The requested increase in repairs expense has been allowed to provide funds for leak detection and correction in accordance with Finding No. as previously set forth in this Order.

(6) Operation and maintenance expense was reduced to the test-year amount since the Utility did not adequately substantiate its requested increase for this expense.