

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of

THE APPLICATION AND PETITION OF TRI-VILLAGE WATER )  
DISTRICT TO REVISE RATES AND PERMIT THE DISTRICT ) CASE NO. 7604  
TO ADOPT A PURCHASED WATER CLAUSE OR ADJUSTMENT )  
CLAUSE IN ITS RATES SCHEDULE )

O R D E R

Preface

On October 19, 1979, the Tri-Village Water District (Applicant), filed with this Commission its request seeking an increase in water rates to become effective on May 15, 1980. The rate increase sought by the Applicant would increase annual revenues by approximately \$27,555 over test-year revenues. The Applicant also requested approval of a "Purchased Water Adjustment Clause" that would permit the Applicant to adjust its rates without a public hearing when its water cost was increased by its supplier.

On November 19, 1979 the Commission entered its Order suspending the proposed rates for a period of five (5) months on and after the 15th day of December 1979.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, February 1, 1980. All parties of interest 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

For the purpose of determining the reasonableness of the proposed rates, the twelve-month period ending September 30, 1979, has been utilized as the "Test-Year". Adjustments, where found significant and reasonable, have been included to reflect more current operating conditions.

### 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 Applicant provided annual revenues of \$121,282 with the inclusion of other revenues from an average of 731 customers receiving water service during the test-year ending September 30, 1979, and resulted in a net income deficit of \$8,293 for the period.

2. That the annual operating expenses, including depreciation and interest, for the Applicant, are estimated to be \$130,952.

3. That the rates proposed by the Applicant and set forth in Appendix "A", attached hereto, are the fair, just, and reasonable rates to be charged by the Applicant. Further, that these rates will provide annual revenues of approximately \$141,770 with inclusion of other income, which will provide for: operating expenses including depreciation and interest. The Commission further concludes that test-year operations and proforma adjustments can be summarized as shown in Appendix "B", attached hereto and made a part hereof.

4. That the Applicant has requested approval of a proposed "Purchased Water Adjustment Clause." Approval of this proposal would permit the Applicant to increase its rates to compensate for a purchased water cost increase without being required to present the matter at a public hearing before the Commission. After due consideration of all the aspects of this proposal, the Commission is of the opinion and finds that it should be denied.

5. The record in this case shows that the Applicants unaccounted for water is 22%. (Testimony page 32 Question 40). The Commission, therefore, finds that the Applicant 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 Applicant 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.

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 proposed by the Applicant 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 Applicant to become effective for services rendered on and after May 15, 1980.

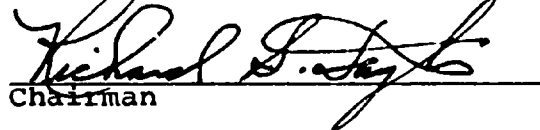
IT IS FURTHER ORDERED that the Applicant's request for approval of a "Purchased Water Adjustment Clause" be and the same is hereby denied.

IT IS FURTHER ORDERED that the Applicant 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. 5.

IT IS FURTHER ORDERED that the Applicant shall file with this Commission, within sixty (60) days from the date of this Order, its tariff sheets setting forth the rates and charges approved herein. Further, that copies of all the Utility's rules and regulations for providing water service to its customers shall be filed with the said tariff sheets.

Done at Frankfort, Kentucky, this 30th day of May, 1980.

UTILITY REGULATORY COMMISSION

  
Chairman

\_\_\_\_\_  
Vice Chairman

  
Commissioner

ATTEST:

\_\_\_\_\_  
Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7604 DATED MAY 30, 1980.

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

GALLONAGE BLOCKS FOR  
EACH CLASS OF CUSTOMER

RATE FOR EACH  
GALLONAGE BLOCK

CLASS A

First	20,000 gallons	\$25.00 (Minimum Bill)
All over	20,000 gallons	1.50 per 1,000 gallons

CLASS B

First	6,000 gallons	\$13.00 (Minimum Bill)
Next	4,000 gallons	2.00 per 1,000 gallons
All over	10,000 gallons	1.50 per 1,000 gallons

CLASS C

First	2,000 gallons	\$ 7.50 (Minimum Bill)
Next	4,000 gallons	2.50 per 1,000 gallons
All over	6,000 gallons	1.50 per 1,000 gallons

FIELD CONNECTIONS

First	10,000 gallons	\$ 3.00 per 1,000 gallons
All over	10,000 gallons	1.50 per 1,000 gallons

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

APPENDIX "B"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7604 DATED MAY 30, 1980.

In accordance with finding No. 3 the following is the Commission's summary of the Tri-Village Water Districts "Test-Year" and projected annual revenues and expenses for providing water service to its customers.

(No. of Customers)	Test-Year <sup>(1)</sup> Ending 9-30-79 <u>(731)</u>	Pro forma <sup>(2)</sup> Requested <u>(731)</u>	Pro forma Found Reasonable <u>(731)</u>
<u>Revenues:</u>			
Metered Sales	\$104,529	\$132,084	\$125,017 <sup>(7)</sup>
Tank Sales	15,575	15,575	15,575
Misc. Service Income	<u>1,178</u>	<u>1,178</u>	<u>1,178</u>
Total Revenues	\$121,282	\$148,837	\$141,770
<u>Expenses:</u>			
Purchased Water	\$ 39,521	\$ 39,521	\$ 39,521
Maintenance Expense	19,801	23,102 <sup>(3)</sup>	23,102
Operating Supplies and Expense	540	540	540
Office Supplies and Expense	2,465	2,465 <sup>(4)</sup>	2,465
Meter Reading Labor	5,509	5,950 <sup>(4)</sup>	5,950
Accounting and Collecting Labor	9,455	10,211 <sup>(5)</sup>	10,211
Administration Salaries	1,800	1,800	1,800
Transportation Expense	3,716	3,716	3,716
Legal Fees (Annual)	1,250	1,250	1,250
Rate Case (\$2350 amortized over 3 years)	-0-	750	750
Property Insurance	483	483	483
Regulatory Commission Expense	135	135 <sup>(6)</sup>	135 <sup>(7)</sup>
Taxes	6,316	6,478 <sup>(6)</sup>	2,145 <sup>(7)</sup>
Railroad Lease	23	23	23
Depreciation	16,713	16,713	16,713
Interest Expense			
(a) long-term debt	17,155	16,870	16,870
(b) other interest	460	1,045	1,045
Injury and workmans comp.	2,587	2,587	2,587
Uncollectable Accounts	464	464	464
Misc. General Expense	<u>1,182</u>	<u>1,182</u>	<u>1,182</u>
Total Expenses	\$129,575	\$135,285	\$130,952
Net Surplus before debt retirement (loss)	\$(8,293)	\$ 13,552	\$ 10,818

(1) "Test-Year" revenues and expenses were taken from the Applicant's Operating Statement filed with the Application as Exhibit 1 page 2.

(2) Proforma Requested revenues and expenses were taken from the applicant's response to Commission request received December 28, 1979. (Exhibit 3)

(3) Includes Salary Increases of \$1,452 plus additional 5 year amortization of tank repair of \$1,849 (Re: Transcript page 23 Question 8)

(4) Includes 8% salary increase granted by the utility to its employees.

(5) Includes remainder of salary increase granted to the employees that was not accounted for in items No. 3 and 4.

(6) Includes Taxes associated with 8% salary increase (response to Commission request received December 29, 1978 Exhibit No. 4 Item No. 2.)

(7) Kentucky sales tax has been eliminated from revenue and expense items.