

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION OF OHIO COUNTY WATER DISTRICT,)
OHIO COUNTY, KENTUCKY (1) FOR A CERTIFICATE)
OF CONVENIENCE AND NECESSITY AUTHORIZING SAID)
DISTRICT TO CONSTRUCT ADDITIONS TO A WATER)
DISTRIBUTION SYSTEM PURSUANT TO KRS CHAPTER)
74; (2) SEEKING APPROVAL OF AN ADJUSTMENT OF) CASE NO. 7667
A SCHEDULE OF RATES AND CHARGES TO BE CHARGED)
FOR WATER SERVICE; AND (3) SEEKING APPROVAL)
OF THE ISSUANCE OF CERTAIN SECURITIES)

O R D E R

Preface

This Order supplements an Interim Order which was entered January 24, 1980 in response to the Application filed November 20, 1979 and the December 20, 1979 hearing in this matter. The Interim Order certificated the \$2,100,800 construction project proposed by the Ohio County Water District (hereinafter referred to as the "Utility"). This Order addresses the matter of an adjustment of the Utility's water service rates.

The Interim Order entered January 24, 1980 found that the Utility's proposed rate of \$0.60 per 1,000 gallons for the over 100,000 gallonage block would not be adequate to cover costs for delivery of this water after completion of the proposed construction; and directed the Utility to file an engineering analysis of such costs in order to provide information essential to a more reasonable apportionment of costs in the making of rate adjustments.

The Utility filed the requested engineering analysis which included a revised rate design. The matter was set for further hearing on May 15, 1980 after proper advertisement of the proposed new rates. All parties of interest were notified of this hearing. The Division of Consumer Intervention of the Attorney General's Office and the City of Beaver Dam are intervenors of record in this matter.

The Commission now considers the matter to be fully submitted for determination of the rate adjustments set forth herein.

Opinion and Order

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

1. That the Utility's existing rates produced revenues of \$322,197 for the twelve months ending December 31, 1979. Further, that expenses totaling \$307,636 resulted in a net income of \$24,029 for this period.

2. That in the determination of the reasonableness of the proposed rates, the Commission has given considerable attention to the interim period during construction and the twelve (12) month period immediately following construction. Further, the Commission finds that there should be a rate adjustment applicable to the period prior to completion of construction and a separate rate adjustment to become effective after completion of the construction certificated in this matter.

3. That the rates prescribed and set forth in Appendix "A", attached hereto and made a part hereof, should produce annual revenues of approximately \$364,031 from 1,900 customers and with the addition of \$9,468 other income should provide for an annual net income before debt retirement of \$52,273 which should provide for servicing the debt in accordance with bond ordinance requirements. Further, that the Appendix "A" rates are the fair, just, and reasonable rates to be charged by the Utility on and after the date of this Order through the date of substantial completion of the construction previously certificated in this matter.

4. That the rates prescribed and set forth in Appendix "B", attached hereto and made a part hereof, should produce annual revenues of approximately \$472,553 from 2,287 customers and with the addition of other income of \$9,468 should provide for an annual net income for the first year of operations after completion of construction of \$53,345. Further, that the Appendix "B" rates are the fair, just, and reasonable rates to be charged by the Utility on and after the date of substantial completion of the construction previously certificated in this matter.

5. That the Commission, after consideration of the Utility's tabulation of test-year and proforma revenues and expenses submitted by the Applicant, finds that said revenues, expenses and adjustments thereto can be summarized for the "Interim Rates" as shown in Appendix "C" and for the "Rates After Completion of Construction" as shown in Appendix "D"; each attached hereto and made a part hereof. On the basis of the said Appendix "C" and "D" tabulations, the Commission further concludes that total annual revenues in the amount of \$373,499 shown on Appendix "C" and \$482,001 shown on Appendix "D" are necessary and should provide for operating expenses including depreciation, interest, servicing of the debt and the accumulation of a reasonable surplus for compliance with bond ordinance requirements.

6. That the rates proposed by the Utility insofar as they differ from the rates found reasonable herein should be denied in that they would produce revenues in excess of the revenues found reasonable herein.

IT IS THEREFORE ORDERED:

1. 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 and shall remain in effect through the date of substantial completion of the construction certificated by the "Interim Order" in this matter entered January 24, 1980.

2. That the rates prescribed and set forth in Appendix "B" shall be fixed as the fair, just, and reasonable rates of the Utility to become effective for services rendered on and after the date of substantial completion of the construction certificated by Interim Order entered January 24, 1980. Further, that the Utility shall require the Engineer to advise this Commission, in writing, of the date on which he will be conducting an inspection of the construction which would establish the date of substantial completion.

3. That the rates proposed by the Utility, insofar as they differ from the rates fixed by this Order, be and they are hereby denied.


4. That the Utility file with this Commission, within thirty (30) days of the date of this Order, its revised tariff sheets which enumerate the rates approved herein and as set forth in Appendix "A", attached hereto. Further, that a copy of the Utility's "Rules and Regulations" for the providing of water services to its customers shall be filed with said tariff sheets.

5. That the Utility file with this Commission within thirty (30) days of substantial completion of the construction certificated by Interim Order entered January 24, 1980, its revised tariff sheets which enumerates the rates approved herein and as set forth in Appendix "B", attached hereto.

Done at Frankfort, Kentucky, this 1st day of July, 1980.

UTILITY REGULATORY COMMISSION

self-disqualified
CHAIRMAN


VICE-CHAIRMAN

COMMISSIONER

ATTEST:

SECRETARY

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7667 DATED JULY 1, 1980

The following rates are prescribed for all customers served by the Ohio County Water District to become effective for services rendered on and after the date of this Order and are to remain in effect to the date of substantial completion of construction certified by the Commission. 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</u>	<u>Monthly Rate For Each Gallage Block</u>
First 2,000 gallons	\$6.25 Minimum Bill
Next 8,000 gallons	1.85 per 1,000 gallons
Next 10,000 gallons	1.60 per 1,000 gallons
Next 30,000 gallons	1.35 per 1,000 gallons
Next 50,000 gallons	1.10 per 1,000 gallons
Over 100,000 gallons	.60 per 1,000 gallons

Service Connection Charge For Service
Connections Not Included in the Current
Construction Contract

5/8-inch x 3/4-inch Meter \$350.00

Monthly billing shall be to the nearest 100 gallons of customers metered usage.

APPENDIX "B"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7667 DATED JULY 1, 1980

The following rates are prescribed for all customers served by the Ohio County Water District to become effective for services rendered on and after the date of substantial completion of the construction certificated by the Interim Order entered January 24, 1980. All other rates and charges not mentioned specifically herein shall remain the same as those in effect under authority of this Commission prior to the date of substantial completion of construction.

<u>Gallage Blocks</u>	<u>Monthly Rate For Each Gallage Block</u>
First 2,000 gallons	\$7.50 Minimum Bill
Next 8,000 gallons	1.90 per 1,000 gallons
Next 10,000 gallons	1.65 per 1,000 gallons
Next 30,000 gallons	1.40 per 1,000 gallons
Next 50,000 gallons	1.15 per 1,000 gallons
Over 100,000 gallons	.75 per 1,000 gallons

Service Connection Charge

5/8-inch x 3/4-inch Meter \$365.00

Monthly billing shall be to the nearest 100 gallons of customers metered usage.

APPENDIX "C"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7667 DATED JULY 1, 1980

In accordance with Finding No. 5, the following is the Commission's summary of "Test-Year" and projected annual revenues and expenses for providing service to test-year and proforma customers from the date of this Order to the date of substantial completion of construction.

	<u>Test Year⁽¹⁾</u> <u>CY, 1979</u>	<u>Proforma⁽¹⁾</u> <u>Requested</u>	<u>Proforma</u> <u>Found</u> <u>Reasonable</u>
(No. of Customers)	(1,876)	(1,900)	(1,900)
<u>Revenues:</u>			
1. Water Service	\$322,197	\$567,161	\$364,031
2. Interest	4,407	4,407	4,407
3. Equipment Sold & Rented	5,013	5,013	5,013
4. Fire Protection & Service Charges	<u>48</u>	<u>48</u>	<u>48</u>
Total Revenues	\$331,665	\$576,629	\$373,499
<u>Expenses:</u>			
1. Salaries & Wages	\$ 95,006	\$158,799	\$104,727(2)
2. FICA	6,861	10,759	7,445(3)
3. Accounting & Auditing	2,250	3,626	2,279(4)
4. Legal Fees	2,002	3,979	2,002(5)
5. Utilities	37,859	74,890	38,035(6)
6. Gasoline, Oil, Fuel	5,616	19,480	6,178(2)
7. Insurance	7,359	10,774	7,359(5)
8. Repairs & Maintenance	1,665	7,500	1,665(5)
9. Supplies	1,233	1,740	1,233(5)
10. Chemicals	19,804	43,120	23,000(7)
11. Office Supplies & Printing	5,103	8,462	5,103(5)
12. Miscellaneous	1,474	2,474	1,474(5)
13. Phone, Car, Advertise, Freight, etc.	4,182	6,365	4,600(2)
14. Retirement Fund	1,681	2,795	1,849(8)
15. Interest:			
a) Long-Term Debt - Current	80,028	79,301	79,301
b) Long-Term Debt - Plant Additions	-0-	35,600	-0-
16. Depreciation:			
a) Existing Plant	35,313	34,976	34,976
b) New Project	<u>-0-</u>	<u>28,736</u>	<u>-0-</u>
Total Expenses	\$307,636	\$533,376	\$321,226
Net Income Before Debt Retirement	\$ 24,029	\$ 43,253	\$ 52,273
Water Main Extensions To Provide New Service	\$ 33,325	\$ 33,325	\$ 17,000(9)

APPENDIX "C" FOOTNOTES

(1) "Test-Year" and "Proforma Requested" revenues and expenses were taken from the Utility's Comparative Income Statement.

(2) The proforma adjustments allowed for Items 1-Salaries and Wages; 6-Gasoline, Oil and Fuel; 14-Phone, Car, Advertise, Freight, etc. is ten (10) percent over the test-year expenses for these items.

(3) The proforma adjustment of \$584 allowed for FICA is 6.13% of the \$9,521 proforma adjustment for salaries and wages.

(4) The allowed proforma adjustment of \$29 is based on a 1.28% or a 24 customer increase over test-year customers.

(5) The Utility's requested adjustments for Items 4-Legal Fees; 7-Insurance; 8-Repairs and Maintenance; 9-Supplies; 11-Office Supplies and Printing; and 12-Miscellaneous were denied on the basis that the record in this matter does not adequately justify the requested proforma increases.

(6) Based on the increased quantity of water to be supplied for 24 additional customers, \$176 was found reasonable as the adjustment for utilities expense.

(7) The adjustment of \$3,196 found reasonable for chemicals is based on an increase of 24 customers and a nine-month increase in the cost of chemicals.

(8) The adjustment of \$168 for the retirement fund is 1.76% of the \$9,521 proforma adjustment for salaries and wages.

(9) Due to the current status in the home building industry and to the number of new services provided by the current construction project, the amount found reasonable for the cost of water main extensions by the Utility was \$17,000 - or approximately one-half ($\frac{1}{2}$) of the test-year amount.

APPENDIX "D"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7667 DATED JULY 1, 1980

In accordance with Finding No. 5, the following is the Commission's summary of "Test-Year" and proforma annual revenues and expenses for providing service to test year and proforma customers for the first year of operations after completion of construction.

	<u>Test Year⁽¹⁾</u> <u>CY, 1979</u>	<u>Proforma⁽¹⁾</u> <u>Requested</u>	<u>Proforma</u> <u>Found</u> <u>Reasonable</u>
(No. of Customers)	(1,876)	(2,287)	(2,287)
<u>Revenues:</u>			
1. Water Service	\$322,197	\$567,161	\$472,553
2. Interest	4,407	4,407	4,407
3. Equipment Sold & Rented	5,013	5,013	5,013
4. Fire Protection & Service Charges	<u>48</u>	<u>48</u>	<u>48</u>
Total Revenues	\$331,665	\$576,629	\$482,001
<u>Expenses:</u>			
1. Salaries	\$ 95,206	\$158,799	\$118,727 ⁽²⁾
2. FICA	6,861	10,759	8,303 ⁽³⁾
3. Accounting & Auditing	2,250	3,626	2,745 ⁽⁴⁾
4. Legal Fees	2,002	3,979	2,002 ⁽⁵⁾
5. Utilities	37,859	74,890	48,419 ⁽⁶⁾
6. Gasoline, Oil, Fuel	5,616	19,480	6,795 ⁽⁷⁾
7. Insurance	7,359	10,774	8,904 ⁽⁷⁾
8. Repairs & Maintenance	1,665	7,500	2,014 ⁽⁷⁾
9. Supplies	1,233	1,740	1,492 ⁽⁷⁾
10. Chemicals	19,804	43,120	34,792 ⁽⁸⁾
11. Office Supplies & Printing	5,103	8,462	6,226 ⁽⁴⁾
12. Miscellaneous	1,474	2,474	2,474
13. Phone, Car, Advertise, Freight, etc.	4,182	6,365	5,060 ⁽⁶⁾
14. Retirement Fund	1,681	2,795	2,090 ⁽⁹⁾
15. Interest:			
a) Long-Term Debt-Current	80,028	79,301	79,301
b) Long-Term Debt-Plant Additions	-0-	35,600	35,600
16. Depreciation:			
a) Existing Plant	35,313	34,976	34,976
b) New Project	<u>-0-</u>	<u>28,736</u>	<u>28,736</u>
Total Expenses	\$307,636	\$533,376	\$428,656
Net Income Before Debt Retirement	\$ 24,029	\$ 43,253	\$ 53,345
Water Main Extensions to Provide New Services	\$ 33,325	\$ 43,000	\$ 34,000 ⁽¹⁰⁾

APPENDIX "D" FOOTNOTES

(1) "Test-Year" and "Proforma Requested" revenues and expenses were taken from the Comparative Income Statement.

(2) The Commission finds that the Utility's request for hiring an additional employee after completion of construction at a cost of \$14,000/yr. is reasonable and should be granted. The total proforma adjustment allowed is the sum of the \$14,000 plus a 10% adjustment of the \$95,206 test-year expense.

(3) The allowed proforma adjustment of \$1,442 for FICA is 6.13% of the \$23,521 salary and wage proforma adjustment.

(4) The proforma adjustments allowed for Items 3 and 11 are on the basis of an increase in customers of 22%.

(5) The Utility's requested proforma adjustment of \$1,977 for legal fees was not adequately justified by the Utility and was denied.

(6) The Utility's testimony that an adjustment of \$10,560 would be required for additional pumping costs was found reasonable by the Commission.

(7) The proforma adjustments for Items 6-Gasoline, Oil and Fuel; 7-Insurance; 8-Repairs and Maintenance; and 9-Supplies are based on an annual increase in these expenses of 10% through the first year after completion of construction.

(8) The proforma increase allowed for chemicals expense is based on an increase in customers of 22% and the current annual increase of 20% for chemicals.

(9) The proforma increase allowed for the retirement fund of \$414 is 1.76% of the \$23,521 adjustment for salaries and wages.

(10) No change is anticipated in the Utility's expenditures for water main extensions for providing services to new customers due to the current situation in the home building industry.

Richard S. Taylor did not participate in the Opinion
and Order in this case.