

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

NORTH MERCER WATER DISTRICT )  
PETITION AND APPLICATION FOR ) CASE NO. 7684  
INCREASE IN WATER RATES )

O R D E R

Preface

This Order supplements an Interim Order of this Commission dated March 5, 1980, which was entered in response to an application dated December 14, 1979, amended on February 5, 1980 and the February 27, 1980 hearing in this matter.

The March 5, 1980 Interim Order granted the North Mercer Water District (District) an emergency increase in water rates to offset the increase in wholesale water cost imposed by the City of Harrodsburg; and stipulated that the Interim Order rates would remain in effect during the Interim period from March 1, 1980 until the date of a final Order in this matter.

The District on March 4, 1980 filed with this Commission its second Amended Petition and the case was set for an additional hearing on March 27, 1980. At the hearing, Mr. Richard Briscoe, a consumer of the system, along with the Consumer Protection Division of the Attorney General's Office intervened in this matter. Since all requested information has been filed by the District, 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 test-year rates charged by the District, provided annual revenues of \$81,814 from an average of 695 customers receiving water service during the test-year ending September 30, 1979.
2. That the annual operating expenses, including depreciation and interest, for the District, are estimated to be approximately \$149,079.
3. That the rates proposed by the District and set forth in Appendix "A", attached hereto, are the fair, just, and reasonable rates to be charged by the District. Further, that these rates will provide annual revenues of approximately \$143,192 from the 695 test-year customers. Miscellaneous, interest and other operating income should be approximately \$11,261. The total proforma revenue of approximately \$154,453 should provide for: operating expenses including depreciation and interest, servicing of debt, and the accumulation of a reasonable surplus for compliance with bond ordinance requirements. The Commission further concludes that the District's test-year and proforma revenues and expenses and adjustments thereto can be summarized as shown in Appendix "B", attached hereto and made a part hereof.

### 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 and charges proposed by the District and set forth in Appendix "A", attached hereto, are fixed as the fair, just, and reasonable rates and charges of the District to become effective for services rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the District file with this Commission, within thirty (30) days from the date of this Order, its tariff sheets setting forth the rates and charges approved herein. Further, that a copy of the District's "Rules and Regulations" for providing service to its customers shall be filed with 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. 7684 DATED MAY 30, 1980

The following rates and charges are hereby prescribed for all customers served by the North Mercer 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</u>	<u>Rate for Each Gallage Block</u>
<u>Basic Rate</u>	
First 1,000 gallons	\$5.00 (Minimum Bill)
Next 2,000 gallons	2.00 per thousand gallons
Next 2,000 gallons	1.80 per thousand gallons
Next 5,000 gallons	1.60 per thousand gallons
Over 10,000 gallons	1.50 per thousand gallons

Special Rates:

Field Connection Rate

First 1,000 gallons	\$5.00 (Minimum Bill)
Over 1,000 gallons	1.50 per 1,000 gallons

Loading Station

\$ .50 per 160 gallons

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

The monthly bill for a customer served by a meter shall be \$5.00 for metered usages of zero (0) to one thousand (1,000) gallons. The additional charge for usage in excess of one 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.

APPENDIX "B"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7684 DATED MAY 30, 1980

In accordance with Finding No. 3, the following is the Commission's summary of the North Mercer Water District's "Test-Year" and projected annual revenues and expenses for providing water service to its customers.

	Test Year(1) Ending 9/30/79	Proforma(1) Requested	Proforma Found Reasonable
(No. of Customers)	(695)	(695)	(695)
<u>Revenues:</u>			
Metered Sales	\$ 81,814	\$143,192	\$143,192
Other Operating Income	1,465	-0-	1,465(2)
Interest Income	9,706	9,706	9,706
Miscellaneous Income	90	90	90
Total Revenues	\$ 93,075	\$152,988	\$154,453
<u>Expenses:</u>			
Purchased Water	\$ 29,236	\$ 81,432	\$ 81,432
Operational Supplies & Expenses	1,134	1,134	1,134
Maintenance of Mains	8,104	8,104	8,104
Maintenance of Meters	884	884	884
Meter Reading Labor	1,704	1,704	1,704
Accounting & Collecting Labor	11,348	12,548	12,548
Postage	1,377	1,377	1,377
Uncollectable Accounts	498	498	498
Office Supplies	1,255	1,255	1,255
Travel	871	871	871
Insurance	1,526	1,526	1,526
Regulatory Commission Expense	98	98	98
Commissioner Salaries	4,800	4,800	4,800
Miscellaneous	479	479	479
Payroll and Other Taxes	1,002	1,002	1,002
Telephones	421	421	421
Legal-Annual	1,600	1,600	1,600
Audit and Accounting-Annual	1,500	1,500	1,500
Rate Case (\$4,500 Amortized over 3-years)	-0-	1,500	1,500
Rental	600	-0-	-0-
Depreciation	17,169	17,169	17,169
Interest on Debt	9,177	9,177	9,177
Total Expenses	\$ 94,783	\$149,079	\$149,079
Net Surplus Before Debt Retirement (Loss)	[\$ 1,708]	\$ 3,909	\$ 5,374

(1) "Test-Year" and "Proforma Requested" revenues and expenses were taken from the District's Amended Comparative Income Statement (Exhibit "C10-A").

(2) The District's requested deletion of the \$1,465 in Other Operating Income was disallowed as the Commission feels that these funds will still be available to the District.