

COMMONWEALTH OF KENTUCKY

BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION FOR THE ADJUSTMENT )  
OF RATES FOR LAKE BARKLEY WATER ) CASE NO. 7695  
SYSTEM, INC. )

O R D E R

Preface

On January 3, 1980, Lake Barkley Water System, Inc., filed with this Commission its duly verified application seeking an increase in its water service rates.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, February 27, 1980. All parties of interest were notified and the Consumer Protection Division of the Attorney General's Office intervened in the matter. At the hearing certain requests for additional information were made by the Attorney General's Office. This information has been furnished 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 December 31, 1979, has been utilized as the "Test Year". Adjustments, where significant and reasonable, have been included to reflect more current operating conditions.

Valuation Method

Net Investment

The Commission has determined at the end of the test period the Applicant's Net Investment in its utility operations was as follows:

Utility Plant in Service	\$135,582 <sup>(1)</sup>
Add:	
Cash Working Capital	1,165 <sup>(2)</sup>
Sub Total	<u>\$136,747</u>
Less:	
Accumulated Depreciation	40,675 <sup>(3)</sup>
Net Investment	<u>\$ 96,072</u>

(1) Utility Plant in Service of \$135,582 was taken from the Applicant's Balance Sheet as of December 31, 1979.

(2) The allowance of cash working capital was computed as one-eighth of the Applicant's total operation & maintenance expenses less depreciation & taxes; all in accordance with the Applicant's comparative Income Statement for the Test-Year as adjusted

(3) Accumulated Depreciation

The Commission is of the opinion that utilization of the Net Investment rate base method is appropriate in this instance realizing, however, that other valuation methods could yield different results.

#### REVENUES AND EXPENSES

The Commission, after considering the Test-Year and projected revenues and expenses submitted by the Applicant, concludes that said revenues, expenses, and proforma adjustments 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 the rates proposed by the Applicant and approved herein, produce additional annual revenues of \$10,080, and are necessary and have been determined to be fair, just, and reasonable in this instance.

#### SUMMARY

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and finds that the rates proposed by the Applicant and prescribed in Appendix "A", which should produce gross annual revenues of \$17,280, are the fair, just, and reasonable rates to be charged for water services rendered by Lake Barkley Water System, Inc. Further that with inclusion for forfeited discounts of \$61, the revenues allowed herein should permit Lake Barkley Water System, Inc., to meet the expenses found reasonable for providing services to its customers and provide a reasonable surplus for equity growth.

#### ORDERS IN THIS MATTER

The Commission on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

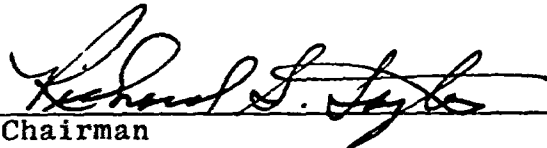
HEREBY ORDERS that the rates as proposed by the Applicant and set forth in Appendix "A", attached hereto and made a part hereof, be and are hereby fixed as the fair, just, and reasonable rates of Lake Barkley Water System, Inc., to become effective for services rendered on and after the date of this Order.

IT IS FURTHER ORDERED that Lake Barkley Water System, Inc., shall file with this Commission within thirty (30) days from the date of this Order its revised tariff sheets setting forth the rates approved herein.

IT IS FURTHER ORDERED that Lake Barkley Water System, Inc., shall file current copies of its Rules and Regulations for the providing of service to its customers along with the filing of its revised tariff sheets.

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

UTILITY REGULATORY COMMISSION

  
Chairman

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Vice Chairman

  
Commissioner

ATTEST:

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Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7695 DATED MAY 30, 1980

The following rates are hereby prescribed for all the  
customers served by the Lake Barkley Water System, Inc.

<u>Monthly Usage</u>	<u>Rates</u>
First 10,000 gallons	\$12.00 (Minimum Bill)
Next 10,000 gallons	1.00 per 1,000 gallons
Over 20,000 gallons	.90 per 1,000 gallons

APPENDIX "B"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7695 DATED MAY 30, 1980

The following is the Commission's summary of actual test  
period operation and proforma adjustments:

	<u>Actual</u> <sup>(1)</sup>	<u>Proforma Requested</u>	<u>Proforma Found Reasonable</u>
<u>Operating Revenues</u>			
(1) Water Sales	\$ 7,200	\$17,280 <sup>(2)</sup>	\$17,280
(2) Forfeited Discounts	61	61	61
Total Revenues	<u>\$ 7,261</u>	<u>\$17,341</u>	<u>\$17,341</u>
<u>Operating Expenses</u>			
(1) Purchase Water	\$ 4,502	\$ 4,502	\$ 4,502
(2) Operation Supplies	541	541	541
(3) Operation Labor	130	130	130
(4) Maintenance-Mains	60	60	60
Maintenance-Meters	42	42	42
(5) Supplies & Billing Expenses	2,626	2,626	2,626
(6) Office Supplies	30	30	30
(7) Telephone	11	11	11
(8) Miscellaneous	3	3	3
(9) Maintenance of Equipment	1,366	1,366	1,366
(10) Regulatory Commission Expense	50	50	50
(11) Depreciation	6,779	6,779	5,753 <sup>(3)</sup>
(12) Income Taxes			159 <sup>(4)</sup>
Total Operating Expenses	<u>\$16,140</u>	<u>\$16,140</u>	<u>\$15,273</u>
Net Operating Income	(\$ 8,879)	\$ 1,201	\$ 2,068
Less: Interest	<u>\$ 1,411</u>	<u>\$ 1,411</u>	<u>\$ 1,411</u>
Net Income (Loss)	<u>(\$10,290)</u>	<u>(\$ 210)</u>	<u>\$ 657</u>

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- (1) Actual Revenues and Expenses were taken from the Applicant's deposits and checks for the 12 months period ending December 31, 1979.
- (2) Proforma Revenues were the amount requested by the Applicant.
- (3) Depreciation was estimated on plant of 25 to 30 years life.
- (4) Amount for federal and state income taxes.