

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

\* \* \* \*

In the Matter of

ADJUSTMENT OF RATES OF REID )  
VILLAGE WATER DISTRICT ) CASE NO. 7765

O R D E R

Preface

On March 6, 1980, Reid Village Water District, hereinafter referred to as the "Utility", filed with this Commission its duly verified application seeking authority to increase its water rates. The proposed rates, which were requested, would increase annual revenues in the amount of \$9,978 to become effective on and after April 1, 1980.

On the 10th day of March, 1980, the Commission entered its Order suspending the proposed rates, charges and classifications for a period of five months on and after the 1st day of April, 1980.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, July 9, 1980. All parties of interest were notified and the Division of Consumer Intervention of the Attorney General's Office intervened in the matter. At the hearing certain requests for additional information were made by the Commission Staff. 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 purposes 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 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 utility provided annual revenues of \$43,222 with the inclusion of other revenues, excluding tap on fees of \$3,857, for the twelve months ending December 31, 1979. Further, that expenses totaling \$40,515 resulted in a net income of \$2,707.
2. That the Utility's pro forma annual operating expenses including depreciation and interest, are estimated to be approximately \$47,345.
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 \$50,664. The addition thereto of \$40 other revenues should provide total annual revenues of \$50,704 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 pro forma 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 \$50,704 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.

Orders in This Matter

The Commission, on the basis of the matter 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.

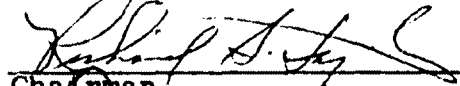
IT IS FURTHER ORDERED, that the rates sought by the Utility be and the same are hereby denied.


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

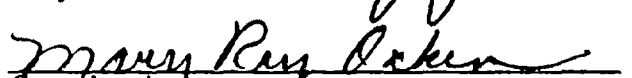
IT IS FURTHER ORDERED, that the Utility file current copies of its Rules and Regulations for the providing of service to its customers along with the filing of its revised tariff sheets.

Done at Frankfort, Kentucky, this the 29th day of August, 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. 7765 DATED AUGUST 29, 1980

The following rates are hereby prescribed for all the customers served by Reid Village 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>Rates</u>	<u>Per Month</u>
First 2,000 gallons	\$7.00 (Minimum)
All over 2,000 gallons	\$1.00 per 1,000 gallons

APPENDIX "B"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7765 DATED AUGUST 29, 1980

(No. of Customers)	Test <sup>(1)</sup> <u>Year</u> (416)	Proforma <sup>(2)</sup> <u>Requested</u> (416)	Proforma Found <u>Reasonable</u> (416)
<u>Operating Revenues:</u>			
Water Revenues	\$ 43,182	\$ 53,160	\$ 50,664 <sup>(3)</sup>
Tap on Fees	3,857	3,857	-
Other	40	40	40
Total Revenues	\$ <u>47,079</u>	\$ <u>57,057</u>	\$ <u>50,704</u>
<u>Operating Expenses:</u>			
1. Salaries and Wages	\$ 8,662	\$ 9,300	\$ 9,300
2. Supplies	2,213	2,434	2,434
3. Insurance	943	1,037	1,037
4. Office Expense	4,073	4,480	4,480
5. Maintenance	2,712	2,983	2,983
6. Chlorine Testing	-0-	1,500	1,500
7. Professional Services	1,080	1,550	1,550
8. Water Purchased	13,863	15,249	15,249
9. Commissioners Salaries	1,800	1,800	1,800
10. Depreciation	2,595	2,955	2,955
11. Travel	100	1,200	1,200
12. Interest	2,424	2,440	2,440
13. Miscellaneous	50	200	50 <sup>(4)</sup>
14. Rate Increase Fee Amortization	-0-	367	367
Total Operating Expenses	\$ 40,515	\$ 47,495	\$ 47,345
Net Income	\$ 6,564	\$ 9,562	\$ 3,359

<sup>1</sup>Test Year Revenues and Expenses were taken from the Utility's Comparative Income Statement for the twelve month period ending December 31, 1979.

<sup>2</sup>Pro Forma Revenues were the amount requested by the Utility.

<sup>3</sup>Tap on Fees should be accounted for as contributions in Aid of Construction; not as Operating Revenues.

<sup>4</sup>Miscellaneous Expenses were reduced back to test year as the Utility failed to adequately justify the pro forma increase requested.