

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

NOTICE OF ADJUSTMENT OF RATES)
OF THE FLEMING COUNTY WATER)
ASSOCIATION, INC., FLEMINGSBURG,) CASE NO. 7860
KENTUCKY)

O R D E R

Preface

On May 21, 1980, Fleming County Water Association, Inc. (Applicant) filed its Notice with this Commission seeking authority to increase its water rates. The proposed rates would increase annual revenues in the amount of \$22,927, an increase of 24% to become effective on June 10, 1980.

On the 21st day of May, 1980, the Commission entered its Order suspending the proposed rates, charges and classifications for a period of five (5) months on and after the 10th day of June, 1980.

The case was scheduled for hearing at the Commission's offices in Frankfort, Kentucky, October 15, 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 and the Attorney General's office. This information has been furnished and the entire matter is now considered to be submitted for 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 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 \$101,453 with the inclusion of other revenues, excluding sales and school tax and new member fees, for the twelve months ending December 31, 1979. Further, that expenses totaling \$106,456 resulted in a net loss of \$5,003.

2. That the Applicant's pro forma annual operating expenses, including depreciation and interest, are estimated to be approximately \$104,312.

3. Applicant's proposal to modify its rate design by decreasing the number of rate blocks from six to four is intended to reflect more accurately the cost of providing water and should, therefore, be approved.

4. 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 Applicant for services rendered to its customers. Further, that these rates should produce annual revenues of approximately \$102,390. The addition thereto of other water revenues of \$388 and interest income of \$6,000 should provide total annual revenues of \$108,778 which should provide for operating expenses including depreciation and interest.

5. That the Commission, after consideration of the tabulations of test-year and projected revenues and expenses submitted by the Applicant, concludes that said revenues, expenses and pro forma 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 annual revenues in the amount of \$108,778 are necessary and will permit the Applicant to meet its reasonable expenses for providing water services to its customers.

6. That the rates proposed by the Applicant are unfair, unjust and reasonable in that they would produce revenues in excess of those found reasonable herein and should be denied.

IT IS THEREFORE ORDERED 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 Applicant to become effective for services rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the rates sought by the Applicant are hereby denied.

IT IS FURTHER ORDERED that the Applicant 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 Applicant 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 21st day of November, 1980.

UTILITY REGULATORY COMMISSION

Chairman

James H. Zeman

Vice Chairman

Mary Kay Baker

Commissioner

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7660 DATED NOVEMBER 21, 1980

The following rates are hereby prescribed for all the customers served by Fleming County Water Association, Inc. 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 of Water Usage</u>		<u>Monthly Rate for each Gallage Block</u>
First	2,000 gallons	\$7.75 Minimum Bill
Next	8,000 gallons	3.40 per 1,000 gallons
Next	40,000 gallons	2.10 per 1,000 gallons
Over	50,000 gallons	1.35 per 1,000 gallons

APPENDIX "B"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7860 DATED NOVEMBER 21, 1980

(No. of Customers)	Test ⁽¹⁾ Year <u>(534)</u>	Proforma ⁽³⁾ Requested <u>(534)</u>	Proforma Found Reasonable <u>(534)</u>
<u>Income:</u>			
Metered Sales of Water	\$ 95,579 ⁽²⁾	\$118,506 ⁽²⁾	\$102,390
Late Charges & Reconnects	388	388	388
Interest Income	<u>5,486</u>	<u>6,000</u>	<u>6,000</u>
Total Income	\$101,453	\$124,894	\$108,778
<u>Expenses:</u>			
1. Purchased Water	\$ 16,737	21,000	21,000
2. Operation Labor	6,000	7,500	7,500
3. Operation Supplies & Expenses	3,900	4,600	4,600
4. Maintenance	11,249	10,000	7,500 ⁽⁴⁾
5. Supplies and Meter Reading	11,930	12,000	3,204 ⁽⁵⁾
6. Accounting and Collecting Labor	4,500	6,000	6,000
7. Supplies	605	1,000	1,000 ⁽⁶⁾
8. Administrative Salaries	2,700	3,600	2,700
9. Office Supplies	357	400	400
10. Attorney and Accountants	1,200	6,200	2,900 ⁽⁷⁾
11. Property Insurance	532	550	550
12. Reg. Com. Expense	111	120	120
13. Miscellaneous General Expenses	21	100	100
14. Maintenance General Plant	900	900	900
15. Depreciation	19,398	19,398	19,398
16. Taxes	328 ⁽²⁾	420 ⁽²⁾	420
17. Interest	<u>25,988</u>	<u>26,020</u>	<u>26,020</u>
Total Expenses	\$106,456	\$119,808	\$104,312
Net Income (Loss)	\$ (5,003)	\$ 5,086	\$ 4,446

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

²Sales and school tax were deducted from the Metered Sales of Water and Tax Expense in the test year and proforma requested as these taxes are collected from the customers and paid to the State or County.

³Proforma Revenues were the amount requested by the Applicant.

⁴Maintenance expenses were reduced to \$7,500. In the transcript, page 23 and 24, Mr. Jett testified that 1/3 of the Maintenance Expense were extra ordinary expense in the test year as he had purchased additional material which was put in storage.

⁵Meter reading labor was reduced to \$3,204 as all meters are not read every month. They are read by the customers and then are checked periodically. The \$3,204 was an average of other water companies with approximately the same number of customers.

⁶The adjustment to administrative Salaries was denied because the Applicant failed to adequately justify the proforma increased cost.

⁷Attorney and Accounting Fees were increased \$5,000 for negotiation with the City of Flemingsburg on water contract and other legal matters. This amount should be amortized over a period of three years.