

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of

NOTICE OF BRACKEN COUNTY WATER)
DISTRICT NO. 1 OF ADJUSTMENT OF)
RATES EFFECTIVE SEPTEMBER 1, 1980:)
AND APPLICATION FOR AUTHORITY TO) CASE NO. 7936
CONSTRUCT ADDITIONAL PLANT)
FACILITIES AND TO BORROW)
\$125,000)

O R D E R

On August 12, 1980, Bracken County Water District No. 1, hereinafter referred to as the Applicant, filed its Notice with this Commission wherein it proposed to increase its water service rates and charges by \$75,730 annually to become effective on and after September 1, 1980. By Commission Order, the effective date of the proposed tariffs was suspended for five (5) months pursuant to the provisions of KRS 278.190.

The Applicant filed an amended notice to the Commission on August 28, 1980, seeking a certificate of convenience and necessity authorizing the construction of additions as well as other temporary improvements to its existing water distribution system and approval of the proposed method of financing for the project. An Interim Order was entered on October 31, 1980 approving the construction and financing of this project. This Order addresses the matter of the adjustment in rates sought by the Applicant.

The matter was set for hearing on the rate aspects of the application in Frankfort, Kentucky, on November 18, 1980. All parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes. The Consumer Intervention Division of the Attorney General's office was the sole intervenor of record in this matter. Additional information which was requested prior to and at the hearing has been filed, and the entire matter is submitted for a final determination by this Commission.

Test Period

The twelve (12) month period ending May 31, 1980, has been used as the test year, for the purposes of determining the reasonableness of the rates and charges proposed herein. Proforma adjustments have been included where found reasonable and proper for rate-making purposes.

Commentary

Bracken County Water District No. 1 is a non-profit water distribution system organized and existing under the laws of the Commonwealth of Kentucky. The Applicant presently serves approximately 421 consumers in Bracken County.

Revenues & Expenses

Applicant proposed several adjustments to revenues and expenses as reflected on its revised Statement of Income. These adjustments reflected increased interest costs on long term debt and an increase in depreciation expense due to construction project improvements originated during the test year.

The Commission has adjusted operating revenues by \$4,425 to exclude connection fees incorrectly recorded as revenue. The Commission is of the opinion that connection fees or tap on fees should be recorded in account 271, Contributions in Aid of Construction which is not an operating revenue account.

The Commission has also made an adjustment to the test year operating expenses to exclude capital items of \$9,998 and sales tax of \$549 erroneously included in test year operating expenses. The Commission has reduced Applicant's depreciation expense by \$4,329 for rate making purposes. Applicant's balance sheet reflected, Contributions in Aid of Construction of \$175,350, or approximately 24.05% of total plant. It is the intent of the Commission that Applicant, through its water service rates, will generate revenues sufficient to recover all costs incurred in providing service to its customers. However, it is not the Commission's intent that Applicant charge its customers for costs it has not incurred, as would be the case if Applicant were allowed to charge its customers for depreciation on contributed property.

The Commission has adjusted interest expense to reflect the annualized interest expense based on the long term debt outstanding at the end of the test year which was \$29,732.

Based on these adjustments, Applicant's test period operations would appear as follows:

	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted</u>
Operating Revenues	\$ 68,775	\$ (4,425)	\$ 64,350
Operating Expenses	<u>68,487</u>	<u>(9,814)</u>	<u>58,673</u>
Net Operating Income	\$ 288	\$ 5,389	\$ 5,677
Other Income	1,100	-	1,100
Other Deductions	<u>20,093</u>	<u>9,279</u>	<u>29,372</u>
Net Income	\$ <u>(18,705)</u>	\$ <u>(3,890)</u>	\$ <u>(22,595)</u>

The Commission is of the opinion that a debt service coverage of 1.5 will be adequate to allow Applicant to pay operating expenses, meet debt service requirements, and maintain an adequate depreciation fund. Based on this debt service coverage Applicant's operating revenues should be \$94,390 which will require additional revenue of \$30,040 annually.

Summary

The Commission, after consideration of the evidence of record and being fully advised, is of the opinion and so finds that the rates for water service set out in Appendix "A" attached hereto and made a part hereof will produce gross annual revenues in the amount of approximately \$94,390 which are the fair, just and reasonable rates for service rendered by Applicant on and after the date of this Order.

IT IS THEREFORE ORDERED, that the rates proposed by Bracken County Water District No. 1 are hereby denied.

IT IS FURTHER ORDERED that the rates set out in Appendix "A" attached hereto and made a part hereof are approved for service rendered by Bracken County Water District No. 1 on and after the date of this Order.

IT IS FURTHER ORDERED that Bracken County Water District No. 1 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.

Done at Frankfort, Kentucky, this 23rd day of January, 1981.

UTILITY REGULATORY COMMISSION

Chairman

Alvin D. ...

Vice Chairman

Commissioner

ATTEST:

Secretary

IT IS FURTHER ORDERED that Bracken County Water District No. 1 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.

Done at Frankfort, Kentucky, this 23rd day of January, 1981.

By the Commission

James H. ...
Mary Kay ...

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NUMBER 7936, DATED JANUARY 23, 1981.

The following rate schedules are hereby prescribed for the customers served by the Bracken County No. 1 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.

Class B Service

Applicability of Service

Applicable to all customers in the Bracken County No. 1 Water District service area.

Availability of Service

Available for residential, commercial, and industrial metered service.

Rate Schedule

First 4,000 Gallons	\$ 8.55 (Minimum Bill)
Each Additional 1,000 Gallons	1.10 per 1,000 gallons

Class C Service

Applicability of Service

Applicable to all customers in the Bracken County No. 1 Water District service area.

Availability of Service

Available to metered service customers not expected to use more than 1,000 gallons per month.

Rate Schedule

First 1,000 Gallons	\$ 5.25 (Minimum Bill)
Each Additional 1,000 Gallons	1.10 per 1,000 gallons

Class F Service

Applicability of Service

Applicable to all customers in the Bracken County No. 1 Water District service area.

Availability of Service

Available to metered service customers with Class B Service for agricultural, pasture, or livestock use.

Rate Schedule

First 1,000 Gallons	\$ 5.25 (Minimum Bill)
Each Additional 1,000 Gallons	1.10 per 1,000 gallons

Wholesale Service

Applicability of Service

Applicable to all customers in the Bracken County No. 1 Water District service area.

Availability of Service

Available to metered service bulk purchasers for resale.

Rate Schedule

First 50,000 Gallons	\$	85.00 (Minimum Bill)
Each Additional 1,000 Gallons		1.10 per 1,000 gallons

Meter Connection Charges

Class B Service	\$	350.00
Class C Service	\$	250.00
Class F Service	\$	250.00

Special Charges

Reconnection Charge	\$	25.00
Late Payment Penalty		10% of the net bill after 30 days from the date of mailing.