

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF HIMA-SIBERT)
WATER DISTRICT FOR AN ORDER)
AUTHORIZING AN INCREASE IN ITS) CASE NO. 8027
BASIC RETAIL RATES, APPLICABLE)
TO ALL CUSTOMERS)

O R D E R

On November 3, 1980, Hima-Sibert Water District ("District"), filed its application with this Commission requesting authority to increase its basic retail rates, applicable to all customers. The proposed rates would increase revenues by an additional \$11,016 over normalized test year revenues, an increase of 33%.

The case was scheduled for hearing at the Commission's offices in Frankfort, Kentucky, February 24, 1981. All parties of interest were notified and the Division of Consumer Intervention of the Attorney General's Office was the only party intervening in the matter.

COMMENTARY

Hima-Sibert Water District is a non-profit water distribution system organized and existing under the laws of the Commonwealth of Kentucky. The District presently serves approximately 289 consumers in Clay County, Kentucky.

TEST PERIOD

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

REVENUES AND EXPENSES

The District proposed only one pro forma adjustment to operating expenses of \$3,204 to reflect the increased cost of water from its wholesale water supplier. The Commission concurs with this adjustment and will allow the full amount for rate-making purposes.

The Commission has reduced the District's test year depreciation expenses by \$6,532 to exclude depreciation on contributed property for rate-making purposes. The record herein reflects that contributions in aid of construction from customers and a federal grant amounted to \$224,433 or approximately 87% of the total cost of water plant in service. It is the policy of the Commission that the District, through its water rates, will generate revenues sufficient to recover all costs in providing service to its customers. However, it is not the Commission's policy that the District charge its customers for costs it has not incurred, as would be the case if the District were allowed to charge its customers for depreciation on contributed property.

Based on testimony at the hearing, the District had failed

to include in the pro forma adjustments, billing and collecting charges of \$2,065. This expense was actually incurred in 1978, but no cost was included in the test year due to the deficiency of funds available for this purpose. The billing and collecting functions were performed by the secretary of the District and his daughter without compensation during the test year. Therefore, the Commission has included \$2,065 in the pro forma operating expenses.

Based on the aforesaid adjustments, the District's operating statement would appear as follows:

	<u>Actual 7-31-80</u>	<u>Pro Forma Adjustments</u>	<u>Adjusted Test Year</u>
Operating Revenues	\$ 36,403	-0-	\$36,403
Operating Expenses	42,334	(1,263)	41,071
Net Operating Income	\$ (5,931)	\$ 1,263	\$(4,668)
Other Income	4,470	-0-	4,470
Other Deductions	(2,110)	-0-	(2,110)
Net Income	<u>\$ (3,571)</u>	<u>\$ 1,263</u>	<u>\$(2,308)</u>

The actual loss for the test year was \$3,571. After taking into consideration, the pro forma adjustments, the adjusted loss would be \$2,308.

The Commission is of the opinion that a debt service coverage of 1.2 will be adequate to allow the District to pay operating expenses, meet debt service requirements, and maintain a reasonable surplus. In order to achieve this debt service coverage, the District's operating revenues should be \$42,363 which will require additional revenue of \$5,960 annually.

SUMMARY

The Commission, after consideration of the evidence of record and being fully advised, is of the opinion and finds that the rates proposed by Hima-Sibert Water District would produce revenues in excess of those found to be reasonable herein and, therefore, must be denied upon application of KRS 278.030. The Commission finds further that the rates set out in Appendix A attached hereto are the fair, just and reasonable rates for service rendered by the District on and after the date of this Order. These rates will produce annual revenues based on test year sales of approximately \$39,100 and after the addition of \$3,263 of other operating revenues, will provide total annual operating revenues of \$42,363.

IT IS THEREFORE ORDERED that the rates proposed by Hima-Sibert Water District 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 Hima-Sibert Water District on and after the date of this Order.

IT IS FURTHER ORDERED that the Hima-Sibert Water District shall file with this Commission, within 20 days from the date of this Order, its revised tariff sheets setting forth the rates approved herein. Further, that a copy of the District's Regulations for providing service shall be filed with the said tariff sheets.

Done at Frankfort, Kentucky, this 15th day of June, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vogt
Chairman

Did Not Participate
Vice Chairman

Sam Harizan
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY in Case No. 8027
DATED: June 15, 1981

The following rates are hereby prescribed for all customers served by Hima-Sibert Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

Gallage Block

Monthly Rate

1st	2,000 gallons	\$5.35 (Minimum)
Next	3,000 gallons	1.80 per 1000 gallons
Next	5,000 gallons	1.50 per 1000 gallons
Next	15,000 gallons	1.40 per 1000 gallons
Next	25,000 gallons	1.30 per 1000 gallons
Next	50,000 gallons	1.20 per 1000 gallons
Over	100,000 gallons	.90 per 1000 gallons