

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PURCHASED WATER ADJUSTMENT )  
FILING OF THE CANNONSBURG WATER ) CASE NO. 8115  
DISTRICT OF BOYD COUNTY, KENTUCKY )

O R D E R

On January 9, 1981, Cannonsburg Water District ("Applicant") filed its Notice with this Commission wherein it proposed to increase its water service rates and charges by \$68,148 annually to become effective on and after February 1, 1981. By Commission Order dated January 12, 1981, the proposed rates and charges were suspended and the application of the rates was deferred for a period of five months on and after February 1, 1981.

The matter was scheduled for hearing at the Commission's offices in Frankfort, Kentucky, on May 7, 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.

After the hearing, additional information was requested. This information has been furnished and the entire matter is now submitted for final determination by this Commission.

Commentary

Cannonsburg Water District is a non-profit water distribution system organized and existing under the laws of the Commonwealth of Kentucky. Applicant presently serves approximately 1800 customers in Boyd County, Kentucky.

### Test Period

The 12-month period ending December 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 Applicant proposed only one pro forma adjustment of \$41,626 to reflect the increased cost of water from its wholesale water supplier; however, the increased cost was based on gallons of water purchased for eight months of the test year. Based on the gallons of water purchased during the entire test year at the increased rate, the cost of water purchased would be \$102,592, which results in an increase of \$44,629.

The Commission has reduced the Applicant's test year depreciation expense by \$34,016 to exclude depreciation on contributed property for rate-making purposes. The records herein reflect that contributions in aid of construction from customers and a federal grant amounted to \$1,230,615 or approximately 56% of the total cost of water plant in service. It is the opinion of the Commission that the Applicant, 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 Applicant charge its customers for cost it has not incurred, as would be the case if the Applicant were allowed to charge its customers for depreciation on contributed property.

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

	<u>Actual</u> 12-31-80	<u>Pro Forma</u> <u>Adjustments</u>	<u>Adjusted</u> <u>Test Year</u>
Operating Revenues	\$ 364,949	\$ -0-	\$ 364,949
Operating Expenses	323,131	10,613	333,744
Net Operating Income	<u>\$ 41,818</u>	<u>\$(10,613)</u>	<u>\$ 31,205</u>
Other Income	12,396	-0-	12,396
Other Deductions	52,530	-0-	52,530
Net Income	<u>\$ 1,684</u>	<u>\$(10,613)</u>	<u>\$ (8,929)</u>

The actual net income for the test year was \$1,684. After taking into consideration the pro forma adjustments, Applicant would realize a net loss of \$8,929.

The Commission is of the opinion that a debt service coverage of 1.2 will be adequate to allow the Applicant to pay operating expenses, meet its debt service requirements, and maintain a reasonable surplus. In order to achieve this debt service coverage, the Applicant's operating revenues should be \$392,256 which will require additional revenues of \$27,307 annually. Therefore, the increase in operating revenues is computed as follows:

Debt Service Coverage x 1.2	\$ 70,908
(Principal \$13,000 + interest \$46,090 x 1.2)	
Add: Adjusted Operating Expenses	333,744
Subtotal	<u>\$ 404,652</u>
Less: Operating Revenues	364,949
Interest Income	12,396
Increase in Revenues	<u>\$ 27,307</u>

Applicant proposed to increase its charges for the initial connection of new consumers from \$225 to \$300. Applicant offered no testimony or documentation of increased costs to support the increases in these charges as well as no justification for a

single charge without regard to the size of meter to be installed. Therefore, the Commission is of the opinion and finds that the proposed increase in tap-on fees should be denied.

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 Cannonsburg 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 Applicant on and after the date of this Order. These rates will produce annual revenues based on test year sales of approximately \$383,201 and after the addition of \$9,055 of other operating revenues, will provide total annual operating revenues of \$392,256.

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

IT IS FURTHER ORDERED that the increase in the tap-on fee should be denied.

IT IS FURTHER ORDERED that the Cannonsburg Water District shall file with this Commission, within 30 days from the date of this Order, its revised tariff sheets setting forth the rates approved herein.

Done at Frankfort, Kentucky, this 1st day of July, 1981.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

\_\_\_\_\_  
Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE PUBLIC  
SERVICE COMMISSION IN CASE NO. 8115  
DATED JULY 1, 1981.

The following schedules of rates are hereby prescribed for the customers served by the Cannonsburg 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.

5/8" Meter Service\*

First	2,000 Gallons	\$	9.00 (Minimum Bill)
Next	3,000 Gallons		2.05 per 1,000 Gallons
Next	15,000 Gallons		1.55 per 1,000 Gallons
Next	30,000 Gallons		1.25 per 1,000 Gallons
Next	50,000 Gallons		1.05 per 1,000 Gallons
Over	100,000 Gallons		.60 per 1,000 Gallons

1" Meter Service\*

First	2,000 Gallons	\$	12.50 (Minimum Bill)
Next	3,000 Gallons		2.05 per 1,000 Gallons
Next	15,000 Gallons		1.55 per 1,000 Gallons
Next	30,000 Gallons		1.25 per 1,000 Gallons
Next	50,000 Gallons		1.05 per 1,000 Gallons
Over	100,000 Gallons		.60 per 1,000 Gallons

1½" Meter Service\*

First	2,000 Gallons	\$	14.00 (Minimum Bill)
Next	3,000 Gallons		2.05 per 1,000 Gallons
Next	15,000 Gallons		1.55 per 1,000 Gallons
Next	30,000 Gallons		1.25 per 1,000 Gallons
Next	50,000 Gallons		1.05 per 1,000 Gallons
Over	100,000 Gallons		.60 per 1,000 Gallons

2" Meter Service \*

First	2,000 Gallons	\$	17.00 (Minimum Bill)
Next	3,000 Gallons		2.05 per 1,000 Gallons
Next	15,000 Gallons		1.55 per 1,000 Gallons
Next	30,000 Gallons		1.25 per 1,000 Gallons
Next	50,000 Gallons		1.05 per 1,000 Gallons
Over	100,000 Gallons		.60 per 1,000 Gallons

3" Meter Service \*

First	2,000 Gallons	\$	30.00 (Minimum Bill)
Next	3,000 Gallons		2.05 per 1,000 Gallons
Next	15,000 Gallons		1.55 per 1,000 Gallons
Next	30,000 Gallons		1.25 per 1,000 Gallons
Next	50,000 Gallons		1.05 per 1,000 Gallons
Over	100,000 Gallons		.60 per 1,000 Gallons

4" Meter Service \*

First	2,000 Gallons	\$	40.00 (Minimum Bill)
Next	3,000 Gallons		2.05 per 1,000 Gallons
Next	15,000 Gallons		1.55 per 1,000 Gallons
Next	30,000 Gallons		1.25 per 1,000 Gallons
Next	50,000 Gallons		1.05 per 1,000 Gallons
Over	100,000 Gallons		.60 per 1,000 Gallons

6" Meter Service \*

First	2,000 Gallons	\$	60.00 (Minimum Bill)
Next	3,000 Gallons		2.05 per 1,000 Gallons
Next	15,000 Gallons		1.55 per 1,000 Gallons
Next	30,000 Gallons		1.25 per 1,000 Gallons
Next	50,000 Gallons		1.05 per 1,000 Gallons
Over	100,000 Gallons		.60 per 1,000 Gallons

8" Meter Service\*

First	2,000 Gallons	\$	75.00 (Minimum Bill)
Next	3,000 Gallons		2.05 per 1,000 Gallons
Next	15,000 Gallons		1.55 per 1,000 Gallons
Next	30,000 Gallons		1.25 per 1,000 Gallons
Next	50,000 Gallons		1.05 per 1,000 Gallons
Over	100,000 Gallons		.60 per 1,000 Gallons

10" Meter Service \*

First	2,000 Gallons	\$ 100.00 (Minimum Bill)
Next	3,000 Gallons	2.05 per 1,000 Gallons
Next	15,000 Gallons	1.55 per 1,000 Gallons
Next	30,000 Gallons	1.25 per 1,000 Gallons
Next	50,000 Gallons	1.05 per 1,000 Gallons
Over	100,000 Gallons	.60 per 1,000 Gallons

12" Meter Service \*

First	2,000 Gallons	\$ 200.00 (Minimum Bill)
Next	3,000 Gallons	2.05 per 1,000 Gallons
Next	15,000 Gallons	1.55 per 1,000 Gallons
Next	30,000 Gallons	1.25 per 1,000 Gallons
Next	50,000 Gallons	1.05 per 1,000 Gallons
Over	100,000 Gallons	.60 per 1,000 Gallons

\* Meters shall be read and customers shall be billed to the closest 100 gallons of usage per month.