

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF GRAYSON COUNTY WATER)
DISTRICT, GRAYSON COUNTY, KENTUCKY,)
(1) FOR A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY AUTHORIZING SAID DISTRICT)
TO CONSTRUCT MAJOR IMPROVEMENTS AND ADDITIONS)
TO ITS EXISTING WATER DISTRIBUTION SYSTEM) CASE NO. 8249
PURSUANT TO THE PROVISIONS OF CHAPTER 74)
OF THE KENTUCKY REVISED STATUTES; (2) SEEKING)
APPROVAL OF THE ADJUSTMENT OF WATER SERVICE)
RATES AND CHARGES; AND (3) SEEKING APPROVAL)
OF THE ISSUANCE OF CERTAIN SECURITIES)

O R D E R

Preface

On May 28, 1981, the Grayson County Water District ("Grayson County") filed with this Commission its duly verified application seeking a certificate of public convenience and necessity authorizing the construction of a 200,000 gallon elevated water storage tank and related appurtenances; approval of the proposed method of financing the project; and approval of proposed adjustments to its existing rates for providing water service. The Commission has heretofore issued its Interim Order, dated August 6, 1981, approving the construction and financing of this project.

The rate increase sought by Grayson County would yield gross annual revenues from water sales of approximately \$10,307 over test year operations.

This case was set for hearing at the Commission's offices in Frankfort, Kentucky, on September 17, 1981, at 10:00 a.m., Eastern Daylight Time. The Consumer Protection Division of the Attorney General's Office was permitted to intervene in this matter. At the hearing, Grayson County was requested to notify customers with three-inch or larger meters of errors contained in the original notice. On September 23, 1981, Grayson County filed copies of the notice provided these customers and the entire matter is submitted for final determination by the Commission.

TEST PERIOD

For the purpose of determining the reasonableness of the proposed rates, the 12-month period ending March 31, 1981, has been accepted as the test year. Adjustments, where found significant and reasonable, have been included to reflect more current operating conditions.

REVENUES AND EXPENSES

Grayson County proposed several adjustments to actual operating revenues and expenses as reflected in its comparative income statement for the 12 months ended March 31, 1981. The Commission has accepted these adjustments for rate-making purposes with the following exception:

Depreciation Expense

The Commission is of the opinion that depreciation expense should be computed on the basis of original cost of utility plant in service less contributions in aid of construction. The allowable depreciation expense of \$19,970 was computed as follows:

Plant in service of \$1,568,434.17 less contributions in aid of construction of \$569,954.28 X 2% = \$19,970.

Therefore, Grayson County's adjusted operations at the end of the test period are as follows:

	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted</u>
Operating Revenues	\$117,855	\$	\$117,855
Operating Expenses	86,851	(2,932)	83,919
Net Operating Income (Loss)	<u>\$ 31,004</u>	<u>\$ 2,932</u>	<u>\$ 33,936</u>
Other Income	4,696		4,696
Interest Expense	38,050	7,150	45,200
Net Income (Loss)	<u>\$ (2,350)</u>	<u>\$ (4,218)</u>	<u>\$ (6,568)</u>

DEBT SERVICE COVERAGE

Grayson County's rates, as proposed, produce total operating revenue of approximately \$128,162. Moreover, Grayson County had miscellaneous revenues of \$4,696 during the test year.

Grayson County's adjusted annual debt service cost is \$52,988, and the resulting debt service coverage produced from the allowed rates for water sales is calculated as follows:

Adjusted Operating Revenue	\$128,162
Less:	
Adjusted Operating Expenses	<u>83,919</u>
Net Operating Income	<u>44,243</u>
Net Operating Income	44,243
+ Debt Service Cost	<u>52,988</u>
Debt Service Coverage	<u>.835</u>

The Commission is, therefore, of the opinion that the proposed rates should be approved as the rates generated will be sufficient to pay Grayson County's operating expenses and improve its financial position.

SUMMARY

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and finds that:

1. The rates prescribed and set forth in Appendix A, attached hereto and made a part hereof, should produce gross annual revenues of approximately \$132,858 and are the fair, just and reasonable rates to be charged for water service rendered by Grayson County.

2. Gross annual revenues in the amount of \$132,858 are necessary and will permit Grayson County to meet its adjusted operating expenses and improve its financial position.

IT IS THEREFORE ORDERED that the rates prescribed and set forth in Appendix A, attached hereto and made a part hereof, are hereby fixed as the fair, just and reasonable rates of the Grayson County Water District to become effective for water service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that Grayson County shall file with this Commission, within 30 days after the date of this Order, its tariff sheets setting forth the rates approved herein. Further, that a copy of Grayson County's rules and regulations for providing service to its customers shall be filed with said tariff sheets.

Done at Frankfort, Kentucky, this 26th day of October, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Tohy
Chairman

Katherine Laudall
Vice Chairman

Ann Carver
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
 COMMISSION IN CASE NO. 8249 DATED OCTOBER 26, 1981

The following rates are prescribed for all customers served by the Grayson County 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.

General Service
 5/8-Inch Meter

<u>Gallorage Block</u>	<u>Monthly Rate</u>
First 1,500 gallons	\$7.25 Minimum
Next 3,500 gallons	3.75 per 1,000 gallons
Next 5,000 gallons	3.25 per 1,000 gallons
Next 15,000 gallons	2.20 per 1,000 gallons
All over 25,000 gallons	1.10 per 1,000 gallons

For meters larger than 5/8-inch, the minimum monthly water usage and corresponding minimum monthly bill will be as follows. All usage over the minimum shall be billed at the same rates as for the 5/8-inch meter.

<u>Meter Size</u>	<u>Minimum Monthly Water Usage</u>	<u>Minimum Bill</u>
3/4-inch	3,000 gallons	\$12.875
1-inch	5,000 gallons	20.375
1½-inch	10,000 gallons	36.625
2-inch	16,000 gallons	49.825
3-inch	30,000 gallons	75.130
4-inch	50,000 gallons	97.130
6-inch	100,000 gallons	152.130