

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN ADJUSTMENT OF RATES OF )  
PARKSVILLE WATER DISTRICT ) CASE NO. 8907

O R D E R

On September 19, 1983, Parksville Water District ("Parksville") filed an application with this Commission requesting authority to adjust its rates pursuant to 807 KAR 5:076, Alternative Rate Adjustment Procedure for Small Utilities ("ARF"). The Commission issued its Order in this matter on June 26, 1984, thereby allowing Parksville to increase its rates to produce additional annual revenues of \$9,289. Subsequently, on July 16, 1984, Parksville submitted a petition for rehearing of this case in which it requested the reinstatement of approximately \$27,768 in operating expenses that the Commission had disallowed in its June 26, 1984, Order. Parksville's petition requested that the Commission reconsider its rate-making decisions with regard to the disallowance of purchased water expense associated with excess water loss, the disallowance of transmission and distribution expenses associated with proposed salary increases, and the disallowance of test-period transportation expenses. On August 3, 1984, the Commission granted reconsideration of its disallowance of Parksville's transportation expenses pursuant to Parksville's

filing of additional information and documentation in support of the test-period expense amounts. This additional information was filed on August 23, 1984.

On October 18, 1984, an informal conference was held between the Commission and Parksville's management at the Commission's offices in Frankfort, Kentucky. The purpose of this meeting was to allow the Commission and Parksville an opportunity to exchange ideas and viewpoints regarding the various problems that exist in the management of Parksville's operations. In addressing these problem areas, the Commission offered Parksville logical and viable solutions in accordance with the Commission's established rules, policies and procedures. A report outlining the substantive issues discussed at this conference was issued by the Commission staff on November 15, 1984, and has been incorporated into the record of this case.

In its Order of June 26, 1984, the Commission disallowed the entire amount of Parksville's transportation expense, citing inadequate documentation and substantiation of the test-period amount. In addition, the Commission found that Parksville's payment of a flat-rate lease fee and gasoline charge to W. G. Feather and Son was not indicative of a true measure of Parksville's test-period transportation expenses and recommended that such amounts be determined on the basis of the application of a standard expense rate to the actual number of miles associated with district business.

In its August 23, 1984, filing of information, Parksville proposed transportation expenses of \$4,845 which were based on an

estimated 2,243 miles per month at a rate of \$.18 per mile. The Commission, as a result of its examination of this information, finds that Parksville's proposed expense level, although determined according to the Commission's recommended method, is not sufficiently known and measurable due to the estimated nature of the mileage figures. Therefore, the Commission finds the \$4,845 to be unacceptable for rate-making purposes.

The Commission recognizes that Parksville incurred transportation expenses in association with its test-period operations and is of the opinion that such amounts, if adequately documented and substantiated, are properly includable in the determination of rates. However, in no instance has Parksville provided any supporting documentation of these expenses that conform to known and measurable criteria. As a result, the Commission finds that an accurate measure of Parksville's transportation expenses cannot be determined on the basis of the information presented in this proceeding. However, the Commission is of the opinion that Parksville should be allowed to recover a portion of these expenses through rates, and has concluded that \$3,600, which reflects a transportation expense of \$300 per month, is a reasonable amount to be allowed in this instance. Therefore, the Commission has adjusted Parksville's operating expenses accordingly. Moreover, the Commission hereby notifies Parksville that, in all future rate proceedings, transportation expenses must be completely documented and verified on the basis of known and measurable criteria as discussed herein and in the previous Order in this case.

SUMMARY

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

1. The Commission's Order entered June 26, 1984, should be modified to authorize transportation expenses of \$3,600.

2. The rates established in the Commission's Order entered June 26, 1984, should be modified by the attached Appendix A to produce additional annual revenues of \$3,600 as based upon the adjustment in the above Finding No. 1.

IT IS THEREFORE ORDERED that the Commission's Order entered June 26, 1984, be and it hereby is modified in accordance with the above Findings Nos. 1 and 2 and affirmed in all other respects.

IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are approved for service rendered by Parksville on and after the date of this Order.

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

Done at Frankfort, Kentucky, this 19th day of December, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Demery  
Chairman

Richard H. Hayes, Jr.  
Vice Chairman

Jim Muck  
Commissioner

ATTEST:

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Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE  
COMMISSION IN CASE NO. 8907 DATED 12/19/84

The following rates are prescribed for the customers served by the Parksville 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.

RATES

<u>Gallonage Blocks</u>	<u>Monthly Rate</u>
First 1,000 gallons	\$6.95 (minimum 5/8" meter)
Next 4,000 gallons	2.10 per 1,000 gallons
Next 5,000 gallons	1.90 per 1,000 gallons
Over 10,000 gallons	1.75 per 1,000 gallons

The minimum monthly bill for 1-inch meters shall be \$15.35 for which the user will be entitled to 5,000 gallons of water. Usage in excess of 5,000 gallons per month shall be billed the same as all other customers.

Bulk Sales

All Usage \$3.50 per 1,000 gallons