

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BOONE COUNTY WATER AND)	
SEWER DISTRICT, BOONE COUNTY, KENTUCKY,)	
FOR AUTHORITY TO CONSTRUCT AND OPERATE)	
A GENERAL SEWER DISTRICT PURSUANT TO)	
KRS CH. 74 IN BOONE COUNTY, KENTUCKY,)	
AND APPLICATION OF BOONE COUNTY WATER)	CASE NO.
AND SEWER DISTRICT, BOONE COUNTY,)	9340
KENTUCKY, FOR AN ORDER APPROVING SUG-)	
GESTED RATES TO BE CHARGED TO CUSTOMERS)	
OF THE GENERAL SEWER DISTRICT OF THE)	
BOONE COUNTY WATER AND SEWER DISTRICT)	
IN BOONE COUNTY, KENTUCKY)	

O R D E R

The Boone County Water and Sewer District ("Boone Water") filed its application on May 13, 1985, for approval of adjustments to its sewer service rates, authorization to construct a \$1,001,675 sewer system improvement project, and approval of its plan of financing this project. The planned financing includes a grant of \$500,000 from the Boone County Fiscal Court and an assessment of \$501,675 against the benefited properties.

The proposed construction will extend sewer service to approximately 267 customers in the Whaley, Hopeful Heights, Shamrock, and Greenview subdivisions near Florence, Kentucky. Drawings and specifications for the proposed improvements as prepared by Cardinal Engineering Corporation, of Covington,

Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet. Construction bids were received September 9, 1985.

A hearing on Boone Water's proposed construction, financing and rates was held in the offices of the Public Service Commission, Frankfort, Kentucky, on October 4, 1985. There were no intervenors and no protests were entered. At the hearing certain requests for additional information were made. This information has been filed.

COMMENTARY

Boone Water is a non-profit water and sewer utility organized under KRS Chapter 74. Boone Water provides water service to approximately 5,000 customers in Boone County and operates 5 wastewater treatment plants near Florence, Kentucky. There are two other non-profit water utilities providing water service adjacent to Boone Water's service area. The Kenton County Water District No. 1 is engaged in the production, distribution, and sale of water to approximately 30,000 customers in Kenton County. In addition, Kenton County Water District No. 1 wholesales water to the City of Florence and to Boone Water in Boone County. The Bullock Pen Water District provides water service to approximately 1,400 customers in Boone, Grant, and Pendleton counties.

KRS 74.361 states in part:

The general assembly of the Commonwealth of Kentucky determines as a legislative finding of fact that reduction of the number of operating water districts in the Commonwealth will be in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts wherever feasible.

Mr. Frank Rothfuss, Engineer for Boone Water, testified that the water district has not investigated the possibility of merging with either of the water systems adjacent to it. In view of the legislative mandate, the Commission is of the opinion that Boone Water should seriously consider merging with the other non-profit water systems in and adjacent to Boone County.

TEST PERIOD

Boone Water presented financial statements for the combined operations of Boone County Sewer District for the fiscal years ended March 31, 1985, and March 31, 1984. No projected financial statements were presented for the proposed operations of Boone Water. However, Boone Water estimated that revenues from the proposed sewer operations would be \$5,703, \$22,398 and \$23,853 from its own rates and from the pass through of rates from Florence Water and Sewer Commission, ("Florence") and Sanitation District No. 1 of Campbell and Kenton Counties ("Sanitation District"),

respectively, for its first year of operation. Boone Water estimated that during the first year of operation its own expenses would be \$5,710 and that the pass through from Florence would be \$22,398 and the pass through from Sanitation District would be \$23,853. Therefore, with the exception of the dollar-for-dollar pass throughs from Florence and Sanitation District during its first year of operation, Boone Water is estimating that its projected revenues and projected expenses will approximately equal one another. The Commission finds these projections to be reasonable for purposes of establishing an initial rate and has accepted them for rate-making purposes. Boone Water will be performing all collections of bills including those imposed by Florence and Sanitation District as discussed subsequently in this Order.

RATE DESIGN

Boone Water proposed a flat monthly rate of \$1.78 per customer. This charge is designed to cover all maintenance and any operating expense incurred by Boone Water directly other than transportation and treatment charges. This proposed rate is sufficient to cover the revenue requirements of Boone Water in this case and should be allowed.

The City of Florence Water and Sewer Commission ("Florence") has agreed to transport the sewage through its lines at a rate of \$5.45 per residential customer. The Commission does not have regulatory authority over any rate charged by Florence and therefore cannot make a finding as to

the fairness of any charge made by Florence. However, the Commission is of the opinion that it is in the best interest of Boone Water and its customers to allow Boone Water to pass this transportation charge on to its customers.

Sanitation District has agreed to treat the sewage and charge Boone County for this service under its present rates on file with the Commission.

The Sanitation District has a declining block rate schedule with the sewage charge based on water usage. Under this rate structure each customer that discharges sewage into the system that is eventually treated by the Sanitation District is charged individually regardless of where they reside. The Commission is of the opinion that the method of charging the rates being passed to Boone Water customers for the services performed by Sanitation District warrants further investigation, however, the Commission finds that it is presently in the best interest of Boone Water and the customers involved to allow the proposed method and rates. At such time and if the above mentioned tariff imposed by Sanitation District is adjusted or the rate structure altered, Boone Water will be required to file with the Commission for authority to adjust the charges for treatment that it passes on to its customers to reflect any adjustment received from the Sanitation District.

FINDINGS AND ORDERS

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

1. Public convenience and necessity require that the construction proposed in the application and record be performed and that a certificate of public convenience and necessity be granted.

2. The approved construction includes about 4.4 miles of sewage collection pipelines and miscellaneous appurtenances thereto. The low bids received for the proposed work totaled \$782,011, which will require about \$1,001,675 after allowances are made for fees, contingencies and other indirect costs.

3. Boone Water should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

4. Any deviations from the approved construction which could adversely affect service to any customer should be subject to prior approval of this Commission.

5. The financing proposed by Boone Water for this project will be needed to pay for the work herein approved. Boone Water's financing plan should, therefore, be approved.

6. Boone Water should file with the Commission duly verified documentation which shows the total costs of construction including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that

construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

7. Boone Water's contract with its Engineer should require the provision of construction inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. The supervision and inspection should insure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Boone Water should require the Engineer to furnish a copy of the record drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract drawings and specifications within 60 days of the date of substantial completion of this construction.

9. Boone Water should file with the Commission a copy of all contractual agreements for the provision of services or the purchase of services which are subject to the approval of this Commission.

10. Boone Water should investigate the feasibility of merging with the Kenton County Water District No. 1 and the Bullock Pen Water District. Boone Water should file a written report on the results of its investigation with the Commission within 90 days of the date of this Order.

11. The rate of \$1.78 per customer in Appendix A is fair, just and reasonable for Boone Water to charge its customers in that it will produce gross annual revenues from its sewer operations of \$5,703. Moreover, while the Commission makes no findings herein as to the reasonableness of the rates imposed by Florence and Sanitation District the pass through of these charges as provided by Appendix A is fair, just and reasonable and should produce revenues of \$22,398 and \$23,853 for payment by Boone Water to these entities, respectively. These rates will be sufficient to meet Boone Water's operating expenses.

12. Within 20 days of receipt of notice by Boone Water regarding a proposed change in rates of either Florence or Sanitation District, Boone Water should advise the Commission of the proposed change and Boone Water's request for authority to adjust its existing rates or a request to absorb any increase in rates.

13. Boone Water should maintain separate accounting records for the sewer service approved herein.

14. Boone Water should maintain its accounting system as prescribed by the Uniform System of Accounts for sewer utilities.

15. Boone Water should file contracts or request approval of all of its presently existing facilities with the Commission within 60 days of the date of this Order.

IT IS THEREFORE ORDERED that:

1. Boone Water be and it hereby is granted a certificate of public convenience and necessity to proceed with the sewer system improvements projects set forth in the drawings and specifications of record hereby approved.

2. Boone Water shall comply with all matters set out in Findings 3 through 10 as if the same were individually so ordered.

3. The rates in Appendix A be and they hereby are approved for sewer service rendered by Boone Water on and after the date of this Order.

4. Within 20 days of receipt of notice by Boone Water that either Florence or Sanitation District proposes to adjust its sewer rates, Boone Water shall notify the Commission of the proposed change and Boone Water's intent to either absorb the rate change or request authority to adjust its existing rates.

5. Within 30 days from the date of this Order Boone Water shall file with this Commission its revised tariff sheets setting out the rates approved herein.

6. Boone Water shall maintain separate accounting records for the sewer service approved herein.

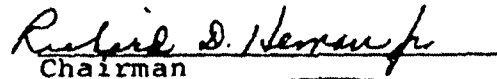
7. Boone Water shall maintain its accounting system as prescribed by the Uniform System of Accounts for Sewer Utilities.

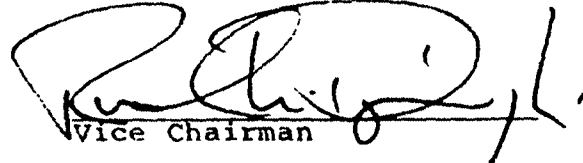
8. Boone Water shall file contracts or for Commission approval of all of its presently existing facilities with the Commission within 60 days of the date of this Order.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 20th day of December, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9340 DATED DECEMBER 20, 1985

The following rates and charges are prescribed for the customers in the area served by Boone County Water and Sewer District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

MONTHLY RATE:

All customers \$1.78

CHARGES TO BE ADDED TO EACH CUSTOMER'S MONTHLY BILL

TRANSPORTATION RATES

The applicable monthly rate charged by the City of Florence, KY. '

<u>Meter Size</u>	<u>Rate Per Customer Per Contract</u> <u>Dated April 4, 1985</u>
5/8 x 3/4 - Inch	\$ 5.45
1 - Inch	12.14
2 - Inch	36.63
4 - Inch	111.33
6 - Inch	353.48

SEWAGE TREATMENT RATES

The applicable monthly rate charged by Sanitation District No. 1 of Campbell and Kenton Counties.

Residential Customers

Rate Per 100 Cu. Ft. Per Tariff
Effective December 3, 1985

0 -	800	cubic feet	\$1.14
801 -	5,000	cubic feet	1.07
5,001 -	25,000	cubic feet	0.96
25,001 -	100,000	cubic feet	0.82
All over	100,000	cubic feet	0.75