

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF )  
JOHNSON COUNTY WATER DISTRICT ) CASE NO. 9488

ORDER

On January 2, 1986, Johnson County Water District ("Johnson County") applied for a general rate increase seeking to increase its revenues by \$165,838, an increase of 77 percent in total revenues and an increase to its average customers' bills of 55 percent. On March 12-15, members of the Commission's staff performed a limited audit of Johnson County's operations and on May 27, 1986, issued their report containing findings and recommendations. On June 17, 1986, Johnson County responded to the staff report. On July 14, 1986, the Commission held a public hearing at its offices in Frankfort, Kentucky, to further consider Johnson County's application. There were no intervenors to the proceeding.

TEST PERIOD

Johnson County proposed and the Commission has accepted the 12-month period ending September 30, 1985, as the test period in this proceeding.

REVENUE REQUIREMENTS

The staff audit report contained several recommendations concerning the rate-making treatment of Johnson County's proposed pro forma operating expenses and determined Johnson County's

revenue requirement to be \$252,323, an increase of \$36,476 above Johnson County's normalized test period revenues. These recommendations were accepted by Johnson County in its response filed June 17, 1986. However, Johnson County expressed concerns about its ability to pay the disputed amount owed to the City of Paintsville, approximately \$60,000.<sup>1</sup> This claim was disallowed in the staff report since the amount was and currently still is in dispute and at least part of the debt can be attributed to excessive line loss.<sup>2</sup> The Commission is aware that Johnson County will eventually owe something to Paintsville; however, until such time as the amount is known, no additional revenues will be allowed for its retirement. When the negotiations between Paintsville and Johnson County have been concluded and the accuracy of Paintsville's master meter has been resolved, the Commission will permit Johnson County to make a limited filing for the specific purpose of determining the level of debt to be borne by the ratepayers.

Johnson County also contested the staff report's disallowance of depreciation on contributed property for rate-making purposes but presented no evidence to persuade the Commission to depart from its longstanding practice. Therefore, the Commission finds the recommendations contained in the staff report reasonable and grants Johnson County an increase in its rates and charges of \$36,476 on an annual basis.

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<sup>1</sup> Response to Staff Audit Report filed June 17, 1986.

<sup>2</sup> Staff Audit Report, pages 4-6.

### RATE DESIGN

Johnson County's current rate design contains three rate steps consisting of a minimum usage allowance of 3,000 gallons, a rate for the next 3,000 gallons, and a rate for all usage in excess of 6,000 gallons.

Johnson County proposed to change its rate design by allowing for a minimum usage of 2,000 gallons and a flat rate for all usage in excess of 2,000 gallons. In support of the proposed change Johnson County stated that, in addition to conservation and simplicity in billing, the proposed rate design would allow it to increase revenues without penalizing fixed income individuals.

After reviewing the proposed rate design the Commission determined that since Johnson County uses a computer to determine each customer's bill, the elimination of one step in its rate design will not simplify the billing process.

The Commission is of the opinion that large volume users are generally less costly to serve on the basis of the volume used per connection and that Johnson County's increase should be spread among its present rate steps in a more equitable manner. In addition, the Commission notes that the present rate design more closely follows the usage patterns of Johnson County's customers and allows a more equitable distribution of the increase granted herein.

The Commission is, therefore, of the opinion that the proposed change in rate design should be denied.

IT IS THEREFORE ORDERED THAT:

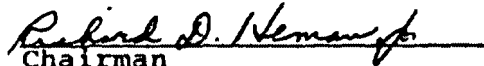
1. The rates and charges proposed by Johnson County are hereby denied upon application of KRS 278.030.

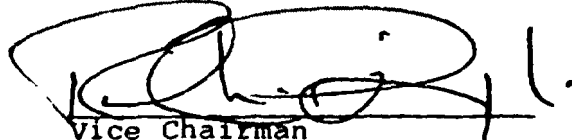
2. The rates and charges in Appendix A are the fair, just and reasonable rates and charges to be charged by Johnson County for water service rendered on and after the date of this Order.

3. Upon the conclusion of negotiations with Paintsville, Johnson County shall make a filing with the Commission to determine the level of debt to be borne by the ratepayers.

Done at Frankfort, Kentucky, this 22nd day of August, 1986.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 9488 DATED AUGUST 22, 1986.

The following rates and charges are prescribed for the customers in the area served by the Johnson 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 effective date of this Order.

Rates: Monthly

First 3,000 gallons	\$13.75 Minimum Bill
Next 3,000 gallons	3.50 per 1,000 gallons
Over 6,000 gallons	2.65 per 1,000 gallons