

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE LAUREL COUNTY WATER)
DISTRICT NO. 2, OF LAUREL COUNTY, KENTUCKY) CASE NO. 9569
FOR APPROVAL OF RATES)

O R D E R

On April 25, 1986, Laurel County Water District No. 2 ("Laurel") applied for approval of an increase in its rates for water service which would produce water revenues of approximately \$493,778 annually, an increase of 22 percent above current rates. On July 30-31, 1986, Larry Harley of the Commission's staff performed a limited audit of Laurel's operating expense records as reported in the 1985 Annual Report to determine if the operating expenses were representative of normal operating conditions. On August 20, 1986, an audit report was issued which contained the findings and recommendations resulting from the study.

A public hearing was held on August 28, 1986, in the Commission's offices in Frankfort, Kentucky. There were no intervenors.

TEST PERIOD

Laurel proposed, and the Commission has accepted, the 12-month period ending December 31, 1985, as the test period in this matter.

REVENUE REQUIREMENTS

Laurel did not offer any pro forma adjustments to its test-year operating expenses with the exception of a proposed increase

in its water rates. The staff report made several recommendations for adjustments to the operating expenses. During cross-examination, C. D. Sensabaugh testified that the recommendations and conclusions in the Commission's staff report were acceptable to the water district.¹ This Order grants Laurel a \$64,500 increase in its rates, which should produce revenues of \$469,199 from water sales.

The Commission, therefore, finds the allowable increase in water sales as set out in the staff report to be fair, just and reasonable in that a debt service coverage of 1.16X will produce sufficient revenues to enable Laurel to meet its operating expenses, service its debt and provide funds to ensure its financial stability.

OFFICE SERVICES

Laurel provides office functions for the East Laurel Water District at a rate of \$2.30 per customer, per month and offered testimony at the hearing that the rate of \$2.30 is reviewed annually for its accuracy.² Also, the joint labor cost of several office employees providing office services for other water districts is presently being apportioned to Laurel and Wood Creek Water District on a 50/50 basis. The basis for this apportionment should be reviewed periodically. However, it is apparent that these two items will have a minimal effect on the financial

¹ Transcript of Evidence, August 28, 1986, pages 16-17.

² Ibid., page 69.

position of Laurel and thus, no adjustments are necessary at this time.

RATE DESIGN

Laurel's present rate structure is on a declining block schedule with six steps, the first step being a minimum usage allowance. This structure and the proposed rates show little disparity which makes Laurel's rates a candidate for rate simplification.

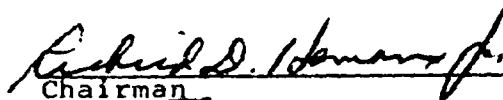
After reviewing Laurel's present and proposed rates and its customer usage patterns, the Commission is of the opinion that the second, third and fourth rate blocks be combined. The usage patterns shown in the billing analysis do not justify a separate rate for each 1,000 gallons for all usage under 4,000 gallons, as contained in Laurel's present rate schedule, but supports combining the aforementioned steps. This reduction in steps will provide a more equitable distribution of costs among Laurel's customers and is in the best interest of the customers and the company.

IT IS THEREFORE ORDERED that:

1. The rates and charges in Appendix A be and they hereby are approved for water service rendered by Laurel on and after the date of this Order.
2. Within 30 days from the date of this Order, Laurel shall file with this Commission its revised tariff sheets setting out the rates and charges approved herein.

Done at Frankfort, Kentucky, this 10th day of October, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9569 DATED 10/10/86

The following rates and charges are prescribed for the customers in the area served by Laurel County Water District No.

2. 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.

RATES: Monthly

First 1,000 Gallons	\$5.50 Minimum Bill
Next 4,000 Gallons	2.20 Per 1,000 Gallons
Next 5,000 Gallons	1.95 Per 1,000 Gallons
Over 10,000 Gallons	1.75 Per 1,000 Gallons