

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE SANDY HOOK)
WATER DISTRICT OF ELLIOTT COUNTY,)
KENTUCKY, FOR APPROVAL OF CONSTRUCTION,) CASE NO. 9768
FINANCING, AND INCREASED RATES)

O R D E R

On November 18, 1986, Sandy Hook Water District ("Sandy Hook") filed an application with the Commission requesting approval of the following: (1) the construction of an extension to an existing system, (2) the proposed plan of financing, and (3) the proposed rate increase. KRS 278.190(3) requires the Commission to decide a rate case within 10 months from the date of filing. Sandy Hook has been unable to meet the letter of conditions from the Farmers Home Administration ("FmHA") in regard to its proposed construction and financing. This in turn does not allow the Commission sufficient time to render a final decision concerning the construction, financing, and the required revenue increase.

As of the date of this Order neither Sandy Hook nor the staff has sought a hearing in this matter. There were no intervenors and all requested information has been filed.

On January 27, 1987, the Commission staff conducted a field review of Sandy Hook's test period financial records and issued its report on June 1, 1987, containing staff's recommendations.

In its report staff recommended that Sandy Hook be granted the entire requested amount of \$46,263 based on the inclusion of costs associated with the proposed construction project. However, staff has reevaluated Sandy Hook's initial revenue requirement based on the exclusion of the proposed construction and has arrived at a revised revenue requirement of \$8,713.¹

The Commission is of the opinion that considering the record in this case a decision regarding the proposed construction and plan of financing cannot be rendered at this time and after careful review and investigation of staff's initial and revised recommendations the Commission affirms staff's revised recommended increase of \$8,713. This should allow Sandy Hook adequate cash flow to meet its obligations and provide for future equity growth. The Commission advises Sandy Hook that upon filing for Commission approval of its proposed construction it should seek the additional revenues required by the proposed construction project.

Rate Design

Sandy Hook proposed to change its present two-step rate design to a graduated schedule. The new design allows a more equitable allocation of the revenue requirement. The present design places an excessive burden on the low-quantity user. The

1	1969 Bonds	\$ 9,877
	DSC of 20%	1,975
	Operating Expenses Less	
	Cost due to Construction	<u>45,159</u>
	Required Revenue	\$57,011
	Test Period Adjusted Revenue	<48,298>
	Revised Revenue Requirement	<u>\$ 8,713</u>

Commission finds that the proposed rate design will benefit the ratepayer and should be accepted as proposed.

FINDINGS AND ORDERS

1. The rates and charges proposed by Sandy Hook would produce revenues in excess of those found reasonable herein and should be denied.

2. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by Sandy Hook in that they should produce annual revenues of \$57,011.

3. Within 30 days of the date of this Order, Sandy Hook should file with this Commission its revised tariff sheets setting out the rates approved herein.

4. Upon satisfactory completion of its FMHA filing requirements, Sandy Hook should file a motion to reopen this case and seek a Commission Order based on facts already in the record.

IT IS THEREFORE ORDERED that:

1. The rates and charges requested by Sandy Hook be and they are hereby denied.

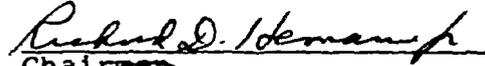
2. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by Sandy Hook on and after the date of this Order.

3. Within 30 days of the date of this Order, Sandy Hook shall file with this Commission its revised tariff setting out the rates approved herein.

4. Sandy Hook's application regarding construction and financing is hereby dismissed without prejudice.

Done at Frankfort, Kentucky, this 18th day of September, 1987.

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. 9768 DATED 9/18/87

The following rates and charges are prescribed for the customers in the area served by Sandy Hook Water 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

5/8 inch x 3/4 inch Meter

First 2,000 gallons	\$10.25 Minimum Bill
Next 8,000 gallons	1.75 per 1,000 gallons
Next 10,000 gallons	1.30 per 1,000 gallons
Next 10,000 gallons	1.15 per 1,000 gallons
Over 30,000 gallons	1.00 per 1,000 gallons

3/4 inch Meter

First 5,000 gallons	\$15.50 Minimum Bill
Next 5,000 gallons	1.75 per 1,000 gallons
Next 10,000 gallons	1.30 per 1,000 gallons
Next 10,000 gallons	1.15 per 1,000 gallons
Over 30,000 gallons	1.00 per 1,000 gallons

1 inch Meter

First 10,000 gallons	\$24.25 Minimum Bill
Next 10,000 gallons	1.30 per 1,000 gallons
Next 10,000 gallons	1.15 per 1,000 gallons
Over 30,000 gallons	1.00 per 1,000 gallons

1 1/2 inch Meter

First 30,000 gallons	\$48.75 Minimum Bill
Over 30,000 gallons	1.00 per 1,000 gallons

2 inch Meter

First 50,000 gallons	\$68.75 Minimum Bill
Over 50,000 gallons	1.00 per 1,000 gallons

3 inch Meter

First 100,000 gallons
Over 100,000 gallons

\$118.75 Minimum Bill
1.00 per 1,000 gallons

Bulk Sales

First 1,000 gallons
Over 1,000 gallons

\$ 3.00 Minimum Bill
3.00 per 1,000 gallons

Returned Check Charge

\$ 15.00