

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WEBSTER COUNTY)
WATER DISTRICT FOR COMMISSION)
APPROVAL TO CONSTRUCT CERTAIN) CASE NO. 10037
WATER FACILITIES ISSUE SECURITIES)
AND INCREASE GENERAL WATER RATES)

O R D E R

On September 25, 1987, Webster County Water District ("Webster") filed its application seeking approval for an increase in rates for water service effective April 1, 1988. On November 19, 1987, Webster filed an amended application requesting: 1) that the rate increase be placed into effect immediately; 2) a Certificate of Public Convenience and Necessity to construct a building; and 3) approval of a financing plan for various items, including the building. Webster requested rates which would generate additional revenues of \$141,912 annually, an increase of 65.87 percent. Commission Staff, based upon the Commission's usual rate-making practices, recommended that Webster be granted an increase in water sales of \$140,317.

In its original application, Webster proposed to restore two water tanks, purchase a computer billing system, and construct a metal building, basically for storage. The Commission Engineering Staff reviewed the proposed construction and determined that the restoration of the two water tanks, and construction of the building would require a Certificate of Public Convenience and Necessity.

An informal conference was held on November 10, 1987, and Webster decided to file an amended application requesting a Certificate of Public Convenience and Necessity for construction of the building and approval of the revised financing plan. Webster decided to exclude the restoration of the two water storage tanks because they could not file the required information within the time constraints of the current case. The proposed construction consists of a 50' x 50' x 14' storage building to store meters, supplies, pipes and chemicals.

Webster proposed in its original application to borrow \$120,000 from a local bank to finance the aforementioned items in addition to repaying a portion of a grant received from the Green River Area Development District ("GRAD"). Webster received a \$30,000 grant from GRAD towards an estimated \$60,000 well renovation project. Under the terms of the grant, Webster was required to match the grant or repay the difference. The well was renovated during the test period at a cost of only \$44,605. Webster financed the renovation with the \$30,000 GRAD grant, a \$10,000 grant from the Webster County Fiscal Court, and \$4,605 from Webster's funds. Since Webster matched only \$14,605 of the \$30,000 GRAD grant, Webster must repay GRAD \$15,395.

In its amended application, Webster miscalculated the amount to repay GRAD. Due to the revised financing proposal for the building, the computer billing system, and repayment of the portion of the GRAD grant, Webster's loan should total \$40,135 instead of the \$39,688 proposed in the amended application. The

building has a low bid cost of \$18,750, and the computer billing system has an estimated cost of \$5,990.

Commission Staff performed a limited review of Webster's operations for the purpose of evaluating the requested increase in rates. On January 25, 1988, Staff issued its report containing findings and recommendations related to the requested increase. Per a letter filed February 10, 1988, Webster accepted Staff's recommendations. The Commission received 11 protest letters from Webster's customers regarding the proposed rate increase. The Commission finds the recommendations contained in the Staff Report to be reasonable and, therefore, will grant the increase of \$140,317, resulting in annual operating revenues of \$359,305.

RATE DESIGN

In its report, Staff found that Webster's present and proposed rate structure could be simplified. Staff recommended that in the absence of a cost of service study it would not be in the best interest of the public, nor Webster, to initiate a new rate design.

While Staff has recommended that a cost of service study is not warranted in this case, the Commission hereby places Webster on notice that a cost of service study will be required as part of Webster's next rate proceeding.

NON-RECURRING CHARGES

Webster provided cost justification relating to various non-recurring charges. Webster proposed an equal deposit from all customers in the amount of \$20 pursuant to 80 KAR 5:006, Section 7, Deposits.

Webster requested and provided cost justification for a reconnection charge of \$20, a disconnect charge of \$20, returned check charge of \$10 and a 10 percent late payment charge.

Webster proposed a meter test request charge of \$25 to be refunded, and the bill adjusted, if the tested meter shows to be more than 2 percent fast. Webster also proposed to include in its tariff a statement that any customer may request a meter test by written application to the Commission pursuant to 807 KAR 5:006, Section 21, Complaint Tests.

A meter recheck charge of \$15 was proposed for a trip to recheck a meter reading when the customer requests the meter to be rechecked for a correct reading and the meter was not misread.

Webster provided cost justification to establish a service investigation charge of \$25 per trip for service investigation during regular working hours if interruption of service is not caused by failure of the district's facilities. The proposed charge for investigation after working hours is \$40 per trip. The time and labor for these services is contracted to an individual who is not an employee of Webster.

Cost justification was provided to increase the 5/8 x 3/4 inch connection fee from \$150 to \$300. Webster additionally proposed to include in its tariff a statement that all connections larger than 5/8 x 3/4 inch shall be installed at an amount not to exceed the actual cost of materials, labor and overhead.

The Commission is of the opinion that the cost justification provided by Webster for these services is adequate, and the aforementioned non-recurring charges should be approved.

Webster requested a charge of \$30 for a reconnect or disconnect if such service is performed other than during regular working hours. The cost justification provided for these charges increased transportation expense from \$9 during regular working hours to \$12.50 after hours. The Commission is of the opinion that transportation costs would not increase after working hours and has decreased the proposed charges by \$3.50 to \$26.50.

FINDINGS AND ORDERS

The Commission, after consideration of the 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 be performed and that a Certificate of Public Convenience and Necessity be granted.

2. The proposed construction consists of a 50' x 50' x 14' storage building. The low bid received for the proposed construction is \$18,750.

3. Webster should furnish duly verified documentation of the total cost of this project including the cost of construction and any other costs within the 60 days of the date that construction is substantially completed.

4. The financing plan proposed by Webster is for lawful objects within its corporate purposes, is necessary and appropriate for and consistent with the proper performance of its service to the public and will not impair its ability to perform these services. The financing plan is reasonably necessary and appropriate for such purposes and should, therefore, be approved.

5. The rates proposed by Webster would produce revenue in excess of that found reasonable herein and, therefore, should be denied upon application of KRS 278.030.

6. The rates in Appendix A are the fair, just and reasonable rates for Webster in that they are calculated to produce gross annual revenue from water sales of \$355,767. These revenues will be sufficient to meet Webster's operating expenses found reasonable for rate-making purposes, service its debt, and provide a reasonable surplus.

7. The proposed non-recurring charges as set out herein should be approved.

IT IS THEREFORE ORDERED that:

1. Webster hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth herein.

2. Webster's financing plan consisting of a bank loan for \$40,135 is hereby approved.

3. The rates proposed by Webster are hereby denied.

4. The rates and charges in Appendix A are approved for services rendered by Webster on and after the date of this Order.

5. Webster shall comply with all the matters set out in Finding No. 3.

6. The proposed non-recurring charges as set out in Appendix A be and they hereby are approved.

7. Within 30 days from the date of this Order, Webster shall file with the Commission its tariff sheets setting out the rates approved herein.

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 16th day of March, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Weman, Jr.
Chairman

Robert M. Davis
Vice Chairman

James N. Williams
Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 10037 DATED 3/16/88

The following rates and charges are prescribed for the customers in the area served by Webster County 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.

RATES: Monthly

5/8 x 3/4 Inch Connection

First 2,000 gallons	\$11.50 Minimum Bill
Next 4,000 gallons	5.20 per 1,000 gallons
Next 4,000 gallons	4.25 per 1,000 gallons
Next 20,000 gallons	3.45 per 1,000 gallons
Next 20,000 gallons	2.90 per 1,000 gallons
Next 50,000 gallons	2.50 per 1,000 gallons
Over 100,000 gallons	1.70 per 1,000 gallons

1 Inch Connection

First 10,000 gallons	\$49.30 Minimum Bill
Next 20,000 gallons	3.45 per 1,000 gallons
Next 20,000 gallons	2.90 per 1,000 gallons
Next 50,000 gallons	2.50 per 1,000 gallons
Over 100,000 gallons	1.70 per 1,000 gallons

1 1/2 Inch Connection

First 15,000 gallons	\$66.55 Minimum Bill
Next 15,000 gallons	3.45 per 1,000 gallons
Next 20,000 gallons	2.90 per 1,000 gallons
Next 50,000 gallons	2.50 per 1,000 gallons
Over 100,000 gallons	1.70 per 1,000 gallons

2 Inch Connection

First 20,000 gallons	\$83.80 Minimum Bill
Next 10,000 gallons	3.45 per 1,000 gallons
Next 20,000 gallons	2.90 per 1,000 gallons
Next 50,000 gallons	2.50 per 1,000 gallons
Over 100,000 gallons	1.70 per 1,000 gallons

3 Inch Connection

First 30,000 gallons	\$118.30 Minimum Bill
Next 20,000 gallons	2.90 per 1,000 gallons
Next 50,000 gallons	2.50 per 1,000 gallons
Over 100,000 gallons	1.70 per 1,000 gallons
Sales For Resale	\$ 1.65 per 1,000 gallons

Non-recurring Charges

Customer Deposit	\$ 20.00
Returned Check	10.00
Meter Test Request	25.00
Meter Reading Recheck	15.00
Reconnect During Normal Working Hours	20.00
Reconnect After Normal Working Hours	26.50
Disconnect During Normal Working Hours	20.00
Disconnect After Normal Working Hours	26.50
Service Investigation During Normal Working Hours	25.00
Service Investigation After Normal Working Hours	40.00
Late Payment Penalty	10%

Connection Fee

5/8 x 3/4 Inch Connection	\$300
Larger than 5/8 x 3/4 Inch	Actual Cost of Installation