

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF THE)
SOUTH SHORE WATER WORKS COMPANY) CASE NO. 10166

O R D E R

On February 16, 1988, South Shore Water Works Company ("South Shore") filed an application seeking approval of an increase in water service rates. The proposed rates would generate additional revenues of \$71,559 annually, an increase of 27.79 percent above normalized test-year revenues from rates of \$257,510.

Commission Staff performed a limited review of South Shore's operations for the purpose of evaluating the requested increase in rates. On May 31, 1988, Staff filed its report recommending rates that would produce additional revenues of \$29,319 annually, an increase of 11.39 percent. South Shore filed its response to the Staff Report on June 2, 1988 accepting all recommendations except for the method utilized to determine revenue requirements.

On June 7, 1988, South Shore filed an application for emergency interim rates. The Commission denied the request for emergency interim rates on June 22, 1988 stating that the Order in this proceeding would be issued in an expeditious manner following the scheduled hearing.

On June 29, 1988, South Shore filed a supplemental application for an emergency surcharge and approval of a construction program. Due to the critical water supply shortage,

South Shore has extended a fire hose across the U.S. Grant Bridge connecting South Shore to the City of Portsmouth, Ohio Water System. However, because of the unsanitary condition of the fire hose, the Kentucky Division of Water, Drinking Water Branch, has placed the 330 customers being served through the fire hose under a "boil water" notice which requires them to boil water for drinking and other sanitary purposes.

South Shore requested in its supplemental application approval to construct a temporary 6-inch polyethylene water line. South Shore anticipates that the temporary line will remain in place for 18 months while South Shore finds a permanent solution to the water crisis. In addition, South Shore requested the Commission to include in its determination of South Shore's revenue requirement the additional net purchased water expense of \$13,332 associated with the temporary line.

The Commission is of the opinion that due to this emergency water shortage, a surcharge to cover the cost and financing of the temporary line totalling \$42,498 is justified and should be allowed over an 18-month period. The Commission is also of the opinion that the additional net purchased water expense of \$13,332 should be included for rate-making purposes.

Pursuant to the supplemental application, since the Commission accepts these adjustments, South Shore will accept Staff's recommendation on the revenue-requirement issue.¹

¹ Supplemental Application pp. 4-5.

Therefore, based upon the revenues from rates recommended in the Staff Report of \$286,829 and the inclusion of the additional net purchased water expense of \$13,332, the Commission is of the opinion that South Shore should be allowed an increase in rates of \$42,651 annually over adjusted test-year revenues from rates of \$257,510.

FINDINGS AND ORDERS

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

1. The rates proposed by South Shore should be denied.
2. The rates and charges in Appendix A are fair, just, and reasonable and should be approved.
3. South Shore should be allowed a flat monthly surcharge of \$1.22² to recover the cost of a temporary line.
4. The surcharge should remain in effect for 18 months or until \$42,498 has been collected, whichever occurs first.
5. All monies collected through the surcharge should be placed in a separate account for the sole purpose of paying the debt associated with the temporary line.
6. South Shore should file quarterly reports with the Commission beginning November 15, 1988 showing the amount collected and deposited through the surcharge and all expenditures from the separate account.

² \$42,498 + 18 months + 1,940 customers = \$1.22.

IT IS HEREBY ORDERED that:

1. The rates and charges proposed by South Shore are hereby denied.

2. The rates and charges in Appendix A are approved for service rendered by South Shore on and after the date of this Order.

3. South Shore is hereby allowed a monthly surcharge of \$1.22 effective on and after the date of this Order. The surcharge shall remain in effect for 18 months or until \$42,498 has been collected, whichever occurs first.

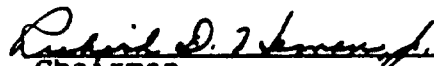
4. All monies collected by South Shore via the surcharge shall be placed in a separate account for the sole purpose of paying the debt associated with the temporary line.

5. South Shore shall file quarterly reports with the Commission beginning November 15, 1988 showing the amounts collected and deposited via the surcharge and all expenditures from the separate surcharge account.

6. Within 30 days from the date of this Order South Shore shall file its revised tariff sheets setting out the rates and charges approved herein.

Done at Frankfort, Kentucky, this 7th day of July, 1988.

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. DATED 10166 DATED 7/7/88

The following rates and charges are prescribed for the customers in the area served by South Shore Water Works Company. 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.

First 1,000 gallons	\$3.85 Minimum Bill
Next 9,000 gallons	1.90 per 1,000 gallons
Next 20,000 gallons	1.60 per 1,000 gallons
Next 20,000 gallons	1.40 per 1,000 gallons
Over 50,000 gallons	1.05 per 1,000 gallons

Hydrants 5.50 per month

Surcharge: A surcharge of \$1.22 per customer per month shall remain in effect for a period of 18 months or until a total of \$42,498 has been collected.