

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE)
FINANCIAL CONDITIONS OF) ADMINISTRATIVE
SEVERAL WATER UTILITIES) CASE NO. 366

O R D E R

The Commission's monitoring of the financial results of water utilities reveals that many have experienced consistent net losses for the years 1992 through 1996. While some of those utilities have sought the Commission's assistance in filing rate cases, or have rate cases pending, others have given no indication that they intend to address potentially inadequate rates. This subject is of substantial concern to the Commission as a result of its lengthy investigation into the financial condition of Mountain Water District ("Mountain").¹ That investigation resulted in a substantial rate increase to Mountain's customers as well as a line loss surcharge, and focused attention upon the need to address potential financial problems in an ongoing and timely fashion. Given these concerns, the Commission finds it appropriate to review comprehensively the financial conditions of other water utilities whose financial results warrant increased scrutiny.

The intent of this case is to gather information about the financial conditions of those utilities which are made a party to this case. Appendix A lists the 1992-1996 financial results of these utilities and reveals a pattern of net losses. While this case will explore

¹ Case No. 96-126, An Investigation Into the Operations and Management of Mountain Water District.

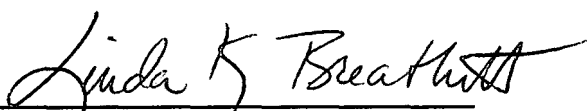
issues related to these utilities' financial conditions, it is not the proper forum for any proposals to increase rates. However, the Commission encourages the subject utilities to examine their rate structures, consider the need for rate increases or line loss surcharges, and file for increased rates or surcharges in separate proceedings if warranted. Depending upon the results of this comprehensive investigation, the Commission may consider individual investigations for those utilities that fail to take action.


IT IS THEREFORE ORDERED that:

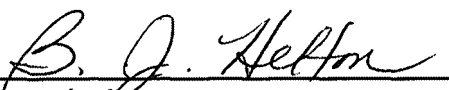
1. The 27 utilities listed in Appendix A, which is appended hereto, are hereby made parties to this case, and shall file responses to the information requested in Appendix B, which is appended hereto, within 30 days of the date of this order.
2. Any utility failing to provide the information requested or request an extension of time to provide the information shall be subject to a separate investigation.

Done at Frankfort, Kentucky, this 23rd day of September, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A
APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN ADMINISTRATIVE CASE NO. 366 DATED 9/23/97

WATER UTILITY'S NET INCOME - 1992-1996					
Name	1992 (\$)	1993 (\$)	1994 (\$)	1995 (\$)	1996 (\$)
Water Districts					
Black Mt. Utility District	(23,653.96)	(51,471.04)	(72,382.55)	(105,332.88)	(59,496.80)
Caney Creek W & S	(30,405.00)	(41,377.00)	(38,446.00)	(39,391.00)	(34,998.00)
Cawood Water District of Harlan County, KY	(37,804.00)	(34,840.29)	(36,351.96)	1,651.13	(11,397.57)
Crittenden-Livingston County Water District	(78,637.93)	(108,534.22)	(74,775.38)	668.00	(54,548.00)
David Water District	(2,444.56)	(685.09)	(4,302.77)	(1,548.69)	(15,398.95)
Dewitt Water District	(15,540.00)	(10,846.00)	(7,765.00)	(27,566.00)	(22,271.00)
East Casey County	(82,909.00)	(120,812.00)	(97,549.00)	(86,392.00)	(110,911.00)
Green Hills Water Dist.	(27,582.46)	(9,033.21)	(12,765.22)	(14,166.79)	(15,312.98)
Hardeman Water Dist.	(11,565.00)	(7,312.00)	(19,507.00)	(9,298.00)	(6,692.00)
Larue County W.D. #1	1,236.00	(16,439.00)	(25,910.00)	(3,771.00)	(30,207.00)
Martin County W.D.	(46,766.00)	(77,337.00)	(58,293.00)	(20,821.00)	(102,093.00)
McCreary County W.D.	119,525.00	(78,543.00)	34,111.00	(79,887.00)	(114,325.00)
Monroe County W.D.	(64,785.00)	(53,314.00)	(24,915.00)	(97,128.00)	(62,508.00)
Mud Creek Water Dist.	(30,671.00)	499,239.00	(39,094.00)	(40,168.00)	(28,993.00)
Nicholas County W.D.	(66,763.00)	(48,795.00)	(11,464.00)	(27,159.00)	(33,162.00)
Rattlesnake Ridge W.D.	106,978.00	(80,341.00)	(116,500.00)	(136,458.00)	(175,964.00)
Sandy Hook W.D.	(32,487.00)	(21,134.00)	(23,541.00)	(61,174.00)	(26,759.00)
Sandy Valley W.D.	101,139.31	(15,991.27)	(3,974.46)	(25,397.60)	(27,896.02)
South Woodford County	(31,041.00)	(61,678.00)	(49,619.00)	(88,347.00)	(5,736.00)
Southern Mason County	4,396.00	(18,461.00)	(24,714.00)	(26,746.00)	(21,707.00)
Todd County W.D.	(15,878.00)	(65,643.00)	(29,434.00)	(62,927.00)	(93,652.00)
Trimble County W.D. #1	50,164.00	12,877.00	(13,003.00)	(4,899.00)	(24,246.00)
Western Fleming County	(30,828.00)	(41,291.00)	(55,314.00)	(46,835.00)	(52,862.00)
Western Mason County	(3,120.00)	(10,831.00)	(19,832.00)	(8,564.00)	(12,441.00)
Associations					
Harrison County	(20,591.00)	(19,401.00)	(74,734.00)	(71,506.00)	(27,568.00)
Judy Water Association	(14,228.00)	(2,810.00)	(5,598.00)	(15,326.00)	(16,941.00)
Rowan Water, Inc.	(61,225.00)	(94,708.00)	(99,894.00)	(72,666.00)	(107,835.00)

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN ADMINISTRATIVE CASE NO. 366 DATED 9/23/97

1. Provide a detailed discussion of your utility's financial condition, including any explanations for steady or significantly increasing net losses.

2. If your utility believes that its present rates are sufficient, explain why.

3. If your utility believes that its present rates are insufficient, explain what it is doing to seek adequate rates, including a specific timetable for accomplishing a rate increase. In the alternative, if there are no plans to seek a rate increase, explain why.

4. How does your utility decide when and where to initiate an expansion project? Has past system expansion resulted in financial pressures or fewer new customers than projected and, if so, how has your utility addressed the situation? Do you have any requests for service that are unmet due to your financial condition? Please discuss.

5. Explain whether high line loss (i.e. in excess of 15 percent) is a problem for your utility. What is the reason for any line loss in excess of 15 percent? Do you have any plans to address the situation, and how?

6. Do you have any service-related problems that are uncorrected due to inadequate financial resources? If so, describe them and explain whether you have any plans to address them.

7. Are you in compliance with the funding requirements of your bond ordinances?

8. Provide any other explanations or information that you believe to be relevant in explaining your utility's financial condition and why the Commission should defer any action relative to your situation.

9. Describe your utility's facilities inspection program including type of inspections conducted, frequency of inspections, staff persons responsible for these inspections, and yearly budget for this inspection program.

10. Describe your utility's preventive maintenance program including type of maintenance performed, staff persons directly responsible for this program, and yearly budget for this maintenance program.

11. Describe your utility's meter testing program including staff members directly responsible for the program, number and type of meter tests performed each year, and the yearly budget for your meter testing program.

12. Is your utility considering merger with another water system? If so, describe the situation in detail.