

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF NORTH)
LOGAN WATER DISTRICT) CASE NO. 97-399

ORDER

On September 25, 1997, the North Logan Water District ("North Logan") submitted its application seeking to increase rates pursuant to 807 KAR 5:076, the Alternative Rate Adjustment Procedure for Small Utilities. In addition to its proposed increase in water rates, North Logan requested approval of a monthly surcharge to fund a meter replacement program. On October 8, 1997, North Logan amended its application to request increases in various non-recurring charges. The Commission issued an Order on January 22, 1998 that addressed North Logan's water rates and meter replacement surcharge. This Order addresses the remaining issues in the case.

Commission Staff ("Staff") conducted a limited review of North Logan's test-period financial records, the results of which were contained in a report issued December 5, 1997. Staff examined North Logan's proposal to adjust its non-recurring fees, agreed that adequate cost justification was provided, and recommended approval of said charges. Staff also noted the severity of North Logan's line loss. Staff recommended North Logan request a line loss monthly surcharge, which would be for the sole purpose of reducing line loss below the Commission's 15 percent allowable limit. North Logan

concluded with Staff's findings and on December 11, 1997 amended its application to include Staff's recommendation, and agreed to notify its customers of the surcharge.

On April 10, 1998, North Logan submitted documentation to the Commission confirming proper customer notification of the line loss monthly surcharge. North Logan has not provided the Commission with documentation confirming proper customer notification for the non-recurring fees.

The Commission, after considering the evidence of record and being otherwise sufficiently advised, finds that:

1. North Logan has provided adequate cost justification to support the adjustment of its non-recurring fees.
2. The non-recurring fees in Appendix A, which is attached hereto and incorporated herein, are the fair, just, and reasonable rates for North Logan.
3. The line loss monthly surcharge in Appendix A is to be used for the sole purpose of reducing North Logan's line loss below the 15 percent allowable limit.

IT IS THEREFORE ORDERED that:

1. The non-recurring fees contained in Appendix A are approved for service rendered by North Logan effective 30 days following proper customer notification.
2. North Logan shall provide the Commission proof of proper customer notification for the non-recurring fees.
3. Within 30 days following the implementation of the non-recurring fees, North Logan shall file with the Commission its revised tariffs setting out said rates approved herein.

4. The line loss monthly surcharge contained in Appendix A is approved for service rendered on and after the date of this Order.

5. The line loss monthly surcharge shall be in effect for a period not to exceed three years, unless otherwise extended by the Commission. North Logan shall place the surcharge proceeds in a separate interest-bearing account. Monthly transfers to the line loss surcharge account shall be equal to the proceeds from the monthly surcharge granted herein and shall be transferred from gross operating revenue prior to the revenue being dispersed for another purpose.

6. Before expending any funds from the line loss account, North Logan shall submit to the Commission a comprehensive plan outlining the steps that will be taken to reduce line loss to a maximum of 15 percent.

7. North Logan shall file with its Annual Report a separate summary for the line loss surcharge containing the following information: monthly surcharge billings and collections; monthly bank statements for the interest-bearing surcharge account; a descriptive list of the amounts expended from the account; and copies of the invoices to support the amounts expended from this account.

8. North Logan's failure to comply with the above funding requirements or failure to file the annual summaries shall warrant the revocation of the line loss surcharge and refunding of the monies already collected, plus interest thereon.

9. The line loss surcharge constitutes a Contribution in Aid of Construction, and shall be accounted for in the manner prescribed by the Uniform System of Accounts for Class C Water Districts and Associations. The monthly billing shall be debited to


customer accounts receivable and credited to the contributions account. When the amount is collected, special funds shall be debited and customer accounts receivable credited.

10. Within 30 days of the date of this Order, North Logan shall file with the Commission its revised tariffs setting out the line loss monthly surcharge approved herein.

Done at Frankfort, Kentucky, this 22nd day of May, 1998.

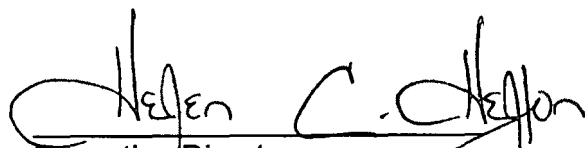
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 97-399 DATED MAY 22, 1998

The following rates and charges are prescribed for the customers in the area served by North Logan Water District No. 1. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Non-recurring Fees:

Connection Fee	\$514.35
Meter Test	32.00
Return Check Fee	20.00
Reconnect Fee	37.00

Monthly Surcharge:

A line loss monthly surcharge of \$2.00 shall be in effect for a period not to exceed 3 years from the effective date of implementation.