

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE SOUTH)	
LOGAN WATER ASSOCIATION FOR)	
APPROVAL OF A PROPOSED INCREASE)	CASE NO. 2002-00481
IN RATES FOR WATER SERVICE,)	
APPROVAL TO BORROW FUNDS, AND TO)	
INCREASE NON-RECURRING CHARGES)	

O R D E R

On December 26, 2002, South Logan Water Association, Inc. (South Logan) applied to the Commission for authority to increase its rates for water service, to borrow funds, and to increase non-recurring charges. South Logan s application was not considered filed until several filing deficiencies were cured on March 3, 2003. South Logan s requested revision in rates would produce additional annual revenues of \$380,670, an increase of 74.5 percent over normalized revenues from water sales of \$512,640. In this Order, the Commission has approved a revenue increase of \$364,562, or 71.1 percent, and that increase includes depreciation expense. The average monthly bill will increase from \$24.70 to \$37.36 for a customer using 5,000 gallons.

South Logan s application included a request to increase its rates on an interim basis at the same time that it began purchasing water from the Logan Todd Regional Water Commission (Logan Todd). On April 17, 2003, the Commission held a hearing relative to South Logan s request for interim rate relief. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (Attorney

General), intervened in this matter and participated in the hearing. On May 14, 2003, the Commission issued an Interim Order granting South Logan s request for interim rate relief, subject to refund pending the Commission s final determination of rates in this case.

Logan Todd is charging a wholesale water rate of \$2.91 per thousand gallons, an increase of 81.9 percent over the wholesale rate of \$1.60 per thousand gallons that South Logan had paid its traditional water supplier, the city of Adairville (Adairville). This substantial increase in purchased water expense is the primary cause of South Logan s request for increased rates.

PROCEDURE

In the fall of 2001, South Logan requested and received Commission Staff assistance to determine its revenue requirements for purposes of filing a rate case. However, South Logan s management did not pursue a rate increase at that time, and instead chose to defer its rate filing until the switchover to Logan Todd became imminent. Therefore, South Logan s application was largely based upon the assistance provided by Staff in 2001, with the addition of increased purchased water costs from Logan Todd and other minor adjustments.

TEST PERIOD

South Logan has proposed and the Commission accepts the 12-month period ending December 31, 2000 as the test period in this case. In using this historic test period, the Commission has given full consideration to appropriate known and measurable changes.

REVENUES AND EXPENSES

South Logan's application at Exhibit 4 indicates that South Logan had a net loss of \$28,460 in the test period. Based upon the pro forma adjustments provided by South Logan, its adjusted operations indicate a pro forma net loss of \$352,478. South Logan's determination of its revenue requirement included pro forma operating revenues of \$512,640, pro forma operating expenses of \$815,529, and a debt service coverage requirement of \$77,781, for a total revenue requirement of \$893,310 and a required increase of \$380,670.

In a response filed July 7, 2003 to the Commission's data request of June 6, 2003, South Logan indicated that a revenue increase adjustment of \$8,054 was inadvertently calculated as a decrease. The correction of this error results in pro forma operating revenue of \$528,748, reducing the total required increase by \$16,108, and resulting in an adjusted increase of \$364,562.

South Logan's application also included a request for financing approval and to institute a surcharge of 19 cents per thousand gallons to repay a loan of \$119,608 from the Peoples State Bank of Adairville. The purpose of that loan was to repay Adairville for past plant investments made to serve the growing water needs of South Logan that were retired when the Logan Todd water treatment plant began operating. On May 1, 2003, the Commission issued an Order approving the proposed financing. On September 10, 2003, the Commission received notification from South Logan that it was withdrawing its request to institute the 19-cent surcharge.

South Logan also requested to increase certain non-recurring charges in its application. South Logan has provided adequate evidence of the individual expenses incurred to provide the services associated with the proposed non-recurring charges.

SUMMARY

After review of the evidence of the record and being otherwise sufficiently advised, the Commission finds that:

1. Based upon its adjusted operations for 2000, South Logan requires \$893,310 annually to meet its reasonable operating expenses and its debt service requirements.
2. South Logan should be permitted to increase its annual revenues from water sales by \$364,562.
3. South Logan's request to approve certain non-recurring charges should be approved.
4. South Logan's request to withdraw its proposed surcharge of 19 cents per thousand gallons should be approved.
5. The rates in Appendix A to this Order are the fair, just, and reasonable rates for South Logan.

IT IS THEREFORE ORDERED that:

1. South Logan's request for approval to increase its general rates is approved.
2. South Logan's request for approval to increase its non-recurring charges is approved.

3. South Logan's request to withdraw its proposed surcharge of 19 cents per thousand gallons is approved.

4. The rates and charges in Appendix A, which is attached hereto and incorporated herein, are approved for services rendered on and after the date of this Order.

5. Within 30 days of the date of this Order, South Logan shall file its revised tariff sheets setting out the rates and charges approved herein.

Done at Frankfort, Kentucky, this 9th day of October, 2003.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2002-00481 DATED October 9, 2003

The following rates, charges, and policies are prescribed for the customers in the area served by South Logan Water Association, Inc. All other rates, charges, and policies 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 Charges

Field Collection Charge	\$25.00
Returned Check Charge	25.00
Customer Application Fee	25.00

MONTHLY RATES

Customer Charge		
5/8 Inch Meter		\$4.65
1 Inch Meter		5.94
1 ½ Inch Meter		9.59
2 Inch Meter		16.89
3 Inch Meter		24.19
Commodity Charge		
First	2,000 gallons	\$6.70 per 1,000 gallons
Next	8,000 gallons	6.44 per 1,000 gallons
Next	40,000 gallons	6.18 per 1,000 gallons
Next	50,000 gallons	5.93 per 1,000 gallons
Over	100,000 gallons	5.67 per 1,000 gallons