

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF THE)
PENDLETON COUNTY WATER DISTRICT) CASE NO. 9625

O R D E R

IT IS ORDERED that:

1. The Staff Audit Report for Pendleton County Water District ("Pendleton") attached hereto as Appendix A shall be included as a part of the record in this proceeding. In the event a public hearing is held, staff preparing the Staff Report will be available for cross-examination.

2. Pendleton shall also have until the close of business on November 26, 1986, to file written comments concerning the staff report in Appendix A. In the event Pendleton desires a public hearing, it shall file a Motion requesting such hearing, with a copy to all parties of record.

Done at Frankfort, Kentucky, this 20th day of November, 1986.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 9625 DATED NOVEMBER 20, 1986.

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

REPORT ON
THE LIMITED REVIEW
OF
PENDLETON COUNTY WATER DISTRICT
Water Divisions

Prepared By:

Angela Schweickart
Public Utilities Financial
Analyst Senior
Water and Sewer Revenue
Requirements Branch
Rates and Tariffs Division

Carryn Lee
Public Utilities Rate Analyst
Chief
Communication, Water and Sewer
Rate Design Branch
Rates and Tariffs Division

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REPORT ON THE
LIMITED REVIEW
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PENDLETON COUNTY WATER DISTRICT
Water Divisions

PREFACE

On July 3, 1986, Pendleton County Water District ("Pendleton") filed an application requesting (1) a certificate of public convenience and necessity to construct extensions, additions and improvements; (2) approval of the financing of the proposed construction consisting of issuance of \$273,000 of waterworks revenue bonds supplemented by a \$727,000 grant from the Farmers Home Administration ("FmHA"); and (3) a rate increase.

Pendleton presently has two divisions with separate rates. Per the original application the construction, Phase III, is to be contained within Division II. Pendleton filed an amended application on September 24, 1986, reflecting the settlement agreement between Pendleton and Griffin Industries, Inc. ("Griffin"). The settlement agreement reduced the base of the minimum bill from 1.2 million gallons per month to 400,000 gallons per month. In addition, Pendleton proposed in the amended application to charge only one rate for both divisions.

Per the amended application, Pendleton requested \$127,000 in additional revenue, including revenue from the Phase III expansion. This amount is approximately \$10,000 less than the amount requested in the original application.

The proposed number of new customers due to the extension is 130, an increase of approximately 21 percent. These proposed new customers should generate approximately \$30,326 from existing rates. The proposed rates would generate \$121,791 in additional revenues.

In order to expedite the processing of the case and substantially reduce the need for written data requests, the Commission staff chose to perform a review, limited in scope, on the operations of Pendleton. The review was conducted by Angela Schweickart of the Commission's Rates and Tariffs Division on August 26-28, 1986, at the District's offices in Falmouth, Kentucky, on September 12, 1986, at the offices of Procter-Davis-Ray Engineers in Lexington, Kentucky; and on October 28, 1986, at the offices of Allen, England, and Hensley, Certified Public Accountants, in Lexington, Kentucky. In addition, a billing analysis was performed by Carryn Lee of the Rates and Tariffs Division.

SCOPE

The scope of this review was limited to ascertaining whether the operating expenses for the test period ended December 31, 1985, were accounted for in accordance with the Uniform System of Accounts for Water Utilities ("USoA") and were properly allocated.

FINDINGS

Pendleton stated in its original application that because of its well-documented auditing difficulties, the revenues and expenses for its test year of January 1, 1985, through December 31, 1985, should be calculated by annualizing those revenues and

expenses occurring within the period of July 1, 1985, through December 31, 1985. Thus, the test period proposed in this case is merely an estimate of revenues and expenses for the current year ending 1985.

Pendleton engaged the accounting firm, Allan, England and Hensley, to perform an audit for the calendar year 1985, for purposes of securing the financing of the construction from FmHA. Allen, England, and Hensley's audit report contained adjustments to reflect the correct balances of the various accounts per the balance sheet. Allen, England, and Hensley utilized a sample consisting of every check written over the amount of \$500 and every tenth check written to examine the appropriateness of the expenses and to ascertain the correct accounting treatment of these expenses.

In order to have a normal test year, the staff is of the opinion that the entire actual 1985 calendar year should be used for purposes of determining rates. The staff is of the opinion that since the auditors' report is based upon a sample of the expenses and included adjustments to correct the various account balances which normally would not occur, the operating statement included in the audit report should not be used in determining rates.

Therefore, given the condition of the records, the staff is of the opinion that the majority of the records should be examined in detail to determine the actual test year revenues and expenses.

The staff examined all invoices and the general journal to compile an operating statement based upon Pendleton's records.

This compiled operating statement reflects the account balances per Pendleton's records. In addition, this compiled operating statement includes annualized allocations of rent and telephone expenses. Pendleton's methods of allocating these expenses are considered accurate and, therefore, have been used in the compilation.

A billing analysis covering the entire test year was performed by the Commission staff during its audit of Pendleton. The staff's findings are attached as Exhibit I to this report. The 1985 revenue from water sales per the billing analysis of \$146,712 has been used in the compilation of the operating statement.

The following is a comparison of Pendleton's annualized operating statement per the amended application and the staff's compilation of the operating statement per Pendleton's records:

<u>Acct.</u> <u>No.</u> <u>Account Name</u>	<u>12/31/85</u> <u>Per Pendleton's</u> <u>Application</u> <u>Annualized</u>	<u>Staff's Compila-</u> <u>tion Per Pendle-</u> <u>ton's Records</u>
<u>Revenues</u>		
4610 Metered Sales	\$152,291	\$146,712
4710 Miscellaneous Service Revenues	1,542	6,376
	<u>\$153,833</u>	<u>\$153,088</u>
<u>Operating Expenses</u>		
6011 Purchased Water	\$ 76,665	\$ 66,547
6220 Power Purchased for Pumping	4,549	5,073
6250 Maintenance of Pumping Plant	3,794	3,387
6320 WTR Treatment-Operation Supplies and Expenses	518	1,072

<u>Acct. No.</u>	<u>Account Name</u>	<u>12/31/85 Per Pendleton's Application Annualized</u>	<u>Staff's Compila- tion Per Pendle- ton's Records</u>
63017	Operation Labor	5,220	4,278
63015			
6410	Storage/Meter	168	168
6410	Telephone & Telemetry	2,508	2,508
6410	Operating Supplies & Parts	2,108	2,472
6501	Maintenance of Reservoirs	-0-	77
6510	Maintenance of Mains	12,072	8,831
6520	Maintenance of Services	4,413	2,491
6530	Maintenance of Meters	2,558	2,122
6540	Maintenance of Hydrants	959	668
9001	Meter Reading	4,037	3,676
9002	Accounting & Collecting	7,236	8,462
9004	Uncollectible Accounts	915	926
9201	Administrative & General Salaries	16,098	11,523
9230	Outside Services Employed	1,103	2,833
9240	Property Insurance	1,132	1,285
9300	Miscellaneous General Exp.	4,198	-0-
9210	Office Supplies & Expenses	-0-	2,279
6020	Operations Supplies & Exp.	-0-	56
6205	Operation Labor	-0-	182
6201			
9330	Transportation Expenses	801	349
9408	Taxes Other Than Income Taxes	123	123
9403	Depreciation	14,997	14,977
9428	Amortization of Debt Discount	89	89
<u>Other Income</u>			
4890	Interest Income	129	2,297
<u>Other Deductions</u>			
9427	Interest on Long-Term Debt	32,504	18,516
	Interest Expense	<u>1,437</u>	<u>1,297</u>
	NET INCOME (LOSS)	<u>\$<46,240></u>	<u>\$<10,882></u>

After completing the compilation, a review, limited in scope, was performed to reveal any material misclassifications, out-of-

period expenses, and expensed items that should have been capitalized. The review revealed the following:

Miscellaneous Service Revenues - Account No. 4710

Per the general ledger, Pendleton had test-year miscellaneous service revenues of \$6,376. Pendleton had, however, debited several expenses to this account instead of the appropriate expense accounts. These items have been reclassified as follows:

From 4710 to Maintenance of Meters - 6530:

4/3/85 Utility Services - Check No. 016008	
Work in Meter Shop	<u>\$ 55</u>

Pursuant to the USoA, recording fees for easements should be classified under Land and Land Rights, Account No. 340.

From 4710 to Land and Land Rights - 340:

5/23/85 Wells & Barrickman - Check No. 016088	
Recording Fee for Easement	\$ 21
5/24/85 Marvin Sullivan - Check No. 016077	
Deposit on Tank Site	1,000
5/17/85 James Misser - Check No. 016068	
Tank Site	100
5/17/85 David Butcher - Check No. 016067	
Tank Site Appraisal Fee	100
5/17/85 Carl Lancaster - Check No. 016066	
Tank Site	100
4/17/85 Wells & Barrickman - Check No. 016096	
Recording Fee for Eastments	107
6/10/85 Wells & Barrickman - Check No. 016149	
Recording Fee for Eastments	<u> 21</u>
	<u>\$1,449</u>

Pursuant to the USoA, expenses associated with rate cases should be classified under Miscellaneous Deferred Debits, Account

186, and amortized. The staff is of the opinion that a 3-year amortization period is appropriate.

From 4710 to Miscellaneous Deferred Debits - 186:

4/85	Falmouth Outlook - Check No. 016052	
	Legal Notices for Case No. 9328	\$ 514
4/85	Campbell County Recorder - Check No. 016051	
	Legal Notices for Case No. 9328	314
6/7/85	Falmouth Outlook - Check No. 016150	
	Legal Notices for Case No. 9328	41
6/27/85	Campbell County Recorder - Check No. 016148	
	Legal Notices for Case No. 9328	60
7/11/85	Campbell County Recorder - Check No. 016167	
	Legal Notices for Case No. 9328	<u>60</u>
		<u>\$ 989</u>

Therefore, Miscellaneous Service Revenues has been increased by \$2,493.

Power Purchased for Pumping - 6220

Pendleton charged \$5,073 to Power Purchased for Pumping during the test year. In addition, Pendleton charged several utility bills to Operation Labor, Account No. 6401. Pendleton utilized a separate 6410 account, Storage/Meter, for the purpose of recording the average annual utility bill for lighting the storage tank. Pendleton created this separate account to help facilitate the computation of a proposed adjustment in the pending rate case proceeding, Case No. 9625.

Pursuant to the USOA, all power purchased is to be recorded in Account No. 6220, Power Purchased for Pumping. In order to be able to consider the proposed adjustment per the rate case, the

staff has reclassified all power purchased to Account No. 6220 except for the actual power purchased for the lighting of the tank site. This expense has remained in Account No. 6410, Storage/Meter.

Therefore, Account No. 6220, Power Purchased for Pumping has been increased by \$860; Account No. 6410, Supplies and Parts, has been decreased by \$745; Account No. 6401, Operation Labor, has been decreased by \$78; and Account No. 6410, Storage/Meter, has been decreased from the average expense of \$168 to the actual expense for lighting the tank site of \$131.

Maintenance of Pumping Plant - 6250

Pendleton charged \$3,387 to Account No. 6250, Maintenance of Pumping Plant. It is the staff's opinion that several items that were expensed during the test year should have been capitalized.

On December 19, 1986, Pendleton had a motor repaired at a cost of \$758. In May, 1985, Pendleton bought a \$729 frame for a motor. It is the staff's opinion that these items should be capitalized and depreciated over 10 years.

During the test year, Pendleton had the pump station painted at a total cost of \$268. It is the staff's opinion that the painting of the pump station will benefit more than 1 period, and thus, this expense has been capitalized and depreciated over 5 years.

In December, 1985, Pendleton installed a \$221 wall heater. It is the staff's opinion that this item should be capitalized and depreciated over 10 years.

Therefore, due to the aforementioned items being capitalized, the maintenance of pumping plant expense has been reduced by \$1,976.

Operations Supplies and Expenses - 6020

Pendleton charged \$56 to Operations Supplies and Expenses during October, 1985. This expense is for chlorine purchased from the Hach Company, and thus, has been reclassified to Account No. 6320, Water Treatment - Operation Supplies and Expenses. Therefore, this account has been reduced to a zero balance.

Water Treatment Operation Supplies and Expenses - 6320

During the test year, Pendleton charged \$1,072 to the Water Treatment Operation Supplies and Expenses Account. In May, 1985, Pendleton paid \$104 to Moreland Drug, Inc. for United Parcel Service charges on water samples for the years 1983 and 1984. As this is considered a prior period adjustment, it should not be recorded in this account for the test period.

During the period of February through June, 1985, Pendleton charged \$566 of labor expenses for reading master meters to this account. This expense has been properly reclassified to Account No. 6301, Operation Labor.

Due to the reclassification in Account No. 6020, Operations Supplies and Expenses, mentioned above, the Water Treatment Operation Supplies and Expenses Account has been increased by \$56.

Therefore, due to the aforementioned adjustments, the Water Treatment Operations Supplies and Expenses Account has been decreased by \$614.

Maintenance of Reservoirs - 6501

Pendleton charged \$77 to Maintenance of Reservoirs expense during the period of March through May, 1985. The review revealed that this entire expense consisted of labor charges for filling tanks. This expense has been properly reclassified to Account No. 6401, Operation Labor, and thus, this account has been reduced to a zero balance.

Operation Labor - 6205 and 6201

During January, 1985, Pendleton charged \$66 to the Operation Labor Account No. 6205. The review revealed that this entire expense consisted of labor charges for filling the tanks. This expense has been properly reclassified to Account No. 6401, Operation Labor, and thus, Operation Labor, Account No. 6205, has been reduced to a zero balance.

During February and March, 1985, Pendleton charged \$116 to Operation Labor Account No. 6201. The review revealed that this entire expense consisted of labor charges for checking on the tanks and should, therefore, be reclassified to Account No. 6401, Operation Labor. Thus, this account has also been reduced to a zero balance.

Operation Labor - 6401 and 6301

Pendleton uses the Operation Labor Account Nos. 6401 and 6301 to record labor charges for reading master meters, taking water samples, and maintenance of the tanks. Pendleton combined these accounts with regard to the pending rate case. The sum of these two accounts for the test period is \$4,278.

These accounts have been reduced by \$78 due to the aforementioned reclassification of the Power Purchased Account No. 6220. In addition, these accounts have been increased by \$566 due to the reclassification of several expenses previously charged to Account No. 6320, Water Treatment Operation Supplies and Expenses.

Furthermore, these accounts have been increased by \$77 due to the reclassification of Account No. 6501, Maintenance of Reservoirs, and increased by \$182 due to the reclassification of the Operation Labor Account Nos. 6201 and 6205. Due to the aforementioned adjustments, the Operation Labor Account Nos. 6401 and 6301 have been increased by \$747 to a level of \$5,025.

Operation Supplies and Expenses - 6410

Pendleton charged \$2,472 to Account No. 6410, Operations Supplies and Expenses, during the test year. Per the reclassification in Account No. 6220, Purchased Power, the Operations Supplies and Expenses Account has been reduced by \$745 to a level of \$1,727.

Maintenance of Meters - 6530

Pendleton charged \$2,122 to Maintenance of Meters expense during the test year. In February, 1985, Pendleton expensed a \$273 test tube. Staff is of the opinion that this test tube will benefit more than 1 period and should, therefore, be capitalized and depreciated over 10 years.

Due to the reclassification of some items being charged against Miscellaneous Service Revenue, Account No. 4710, the

Maintenance of Meters expense has been increased by \$55. Therefore, the net reduction to the Maintenance of Meters expense is \$218.

Accounting and Collecting - 9002

During the test year, Pendleton charged \$8,462 to the Accounting and Collecting expense account. Pendleton expensed \$1,260 to this account which was for the preparation of the previous rate case application, Case No. 9328.

Pursuant to the USoA, expenses associated with rate cases should be classified under Miscellaneous Deferred Debits, Account No. 186 and amortized. The staff is of the opinion that a 3-year amortization period is appropriate. Therefore, the accounting and collecting expense has been reduced by \$1,260.

Administrative and General Salaries - 9201

Pendleton charged \$11,523 to Administrative and General Salaries expenses during the test year. Pendleton expensed \$397 associated with the dispute with Griffin. Staff is of the opinion that the settlement agreement resulting from the dispute will be in effect for several years, and thus, the expenses associated with the dispute should be capitalized and amortized over 3 years.

Pendleton expensed \$2,150 related to the construction project in the current proceeding, Case No. 9625. It is staff's opinion that these costs should be capitalized and depreciated over the life of the project.

The Commission engaged the accounting firm, Cotton and Allen, to perform an operational audit on Pendleton. During the test period, Pendleton expensed \$968 in salaries and wages relating to

the Cotton and Allen audit. The staff is of the opinion that this is an extraordinary expense and should be allocated to more than 1 period to reflect normal operating conditions. Therefore, this expense has been capitalized and amortized over 3 years resulting in an amortization expense of \$323.

Due to the aforementioned adjustments, the test-year administrative and general salaries expense has been reduced by \$3,515.

Office Supplies and Expenses - 9210

Pendleton charged \$2,279 to office supplies and expenses during the test year. The review revealed that the test year included the cost for 13-months mailings of bills instead of 12 months. Therefore, the December, 1984, mailing expense of \$72 has been excluded.

Outside Services Employed - 9230

Pendleton expensed \$2,833 to the Outside Services Employed Account during the test year. This amount included \$1,500 paid to Mr. Ted Monroe, CPA, for the 1984 audit.

During the test year, Pendleton expensed \$261 of recording fees for easements due to the proposed extension. Pursuant to the USOA, this expense has been capitalized in Account No. 340, Land and Land Rights.

Pendleton expensed through the Outside Services Employed Account \$350 associated with the preparation of the previous rate case application, Case No. 9328. As mentioned previously, expenses associated with rate case proceedings should be classified in Miscellaneous Deferred Debits, Account No. 186, and

amortized over a 3-year period. Thus, the \$350 associated with Case No. 9328 has been reclassified to Account No. 186.

Pendleton expensed \$140 of legal expenses associated with the dispute with Griffin. Since staff is of the opinion that the settlement agreement resulting from the dispute will be in effect for several years, this expense has been capitalized and amortized over 3 years. Therefore, due to the aforementioned adjustments, the outside labor employed expense has been reduced by \$751.

Regulatory Commission Expense - 9280

Pursuant to the USoA, the expenses associated with preparing and presenting a case to the Commission should be accounted for in Account No. 186, Miscellaneous Deferred Debits, and amortized through the Regulatory Commission Expense Account No. 9280. Due to the aforementioned reclassifications in Account No. 4710, Miscellaneous Service Revenue; Account No. 9002, Accounting and Collecting Expense; and Account No. 9230, Outside Services Employed, the Miscellaneous Deferred Debits Account has a \$2,599 balance. This balance has been amortized over 3 years, resulting in a test-year amortization expense of \$866.

Griffin Dispute

Regarding the capitalization of the expenses associated with the Griffin dispute per Account No. 9201, Administrative and General Salaries and Account No. 9230, Outside Services Employed, the staff is of the opinion that the expenses should be amortized over a 3-year period. Thus, the total Griffin dispute expenses of \$537 results in a test-year amortization expense of \$179.

Depreciation Expense - 9403

Pendleton charged during the test period \$14,997 to depreciation expense. The Allen, England and Hensley auditors recom- piled the fixed assets scheduled and recomputed the depreciation expense based upon the appropriate lives of the various assets. Pendleton had computed the depreciation expense by using a compos- ite rate and subtracting the amount of depreciation on contributed property. The staff is of the opinion that the auditors have cor- rectly computed the test-year depreciation expense to be \$29,374.

Due to the capitalization of several items in Account No. 6250, Maintenance of Pumping Plant; Account No. 6530, Maintenance of Meters, and Account No. 9201, Administrative and General Salaries, the depreciation expense has been adjusted as follows:

	<u>5 Years</u>	<u>10 Years</u>	<u>40 Years</u>
<u>Per Account No. 6250:</u>			
Painting the Pump Station	\$268		
Repair Motor		\$ 758	
Frame		729	
Wall Heater		221	
<u>Per Account No. 6530:</u>			
Test Tube		\$ 273	
<u>Per Account No. 9201:</u>			
Construction Costs			<u>\$2,150</u>
	<u>\$268</u>	<u>\$1,981</u>	<u>\$2,150</u>
	<u>+ 5 yrs.</u>	<u>+ 10 yrs.</u>	<u>+ 40 yrs.</u>
	<u>\$ 54</u>	<u>\$ 198</u>	<u>\$ 54</u>
 ADJUSTMENT:	 <u>\$306</u>		

Thus, due to the aforementioned adjustments, the test-year depreciation expense has been increased by \$14,703 to \$29,680.

SUMMARY

The following is a summary of the effect of these adjustments on the staff's compilation of Pendleton's operating statement:

<u>Acct. No.</u>	<u>Account Name</u>	<u>Staff's Compi- lation Per Pendleton's Records</u>	<u>Staff Adjustments</u>	<u>Test Year Adjusted</u>
<u>Revenues</u>				
4610	Metered Sales	\$146,712	\$ -0-	\$146,712
4710	Misc. Service Revenues	6,376	2,493	8,869
		<u>\$153,068</u>	<u>\$ 2,493</u>	<u>\$155,581</u>
<u>Operating Expenses</u>				
6011	Purchased Water	\$ 66,547	\$ -0-	\$ 66,547
6220	Power Purchased for Pumping	5,073	860	5,933
6250	Maintenance of Pumping Plant	3,387	<1,976>	1,411
6320	Water Treatment Operation Supplies and Expenses	1,072	<614>	458
6301	Operation Labor	4,278	747	5,025
6401				
6410	Storage/Meter	168	<37>	131
6410	Telephone & Tele- metering	2,508	-0-	2,508
6410	Operation Supplies & Parts	2,472	<745>	1,727
6501	Maintenance of Reservoirs	77	<77>	-0-
6510	Maintenance of Mains	8,831	-0-	8,831
6520	Maintenance of Services	2,491	-0-	2,491
6530	Maintenane of Meters	2,122	<218>	1,904
6540	Maintenace of Hydrants	668	-0-	668

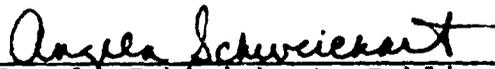
Acct. No.	Account Name	Staff's Compi- lation Per Pendleton's Records	Staff Adjustments	Test Year Adjusted
9001	Meter Reading	3,676	-0-	3,676
9002	Accounting & Collecting	8,462	<1,260>	7,202
9004	Uncollectible Accounts	926	-0-	926
9201	Administrative and General Salaries	11,523	<3,515>	8,008
9230	Outside Services Employed	2,833	<751>	2,082
9240	Property Insurance	1,285	-0-	1,285
9300	Miscellaneous General Expenses	-0-	-0-	-0-
9210	Office Supplies and Expenses	2,279	<72>	2,207
6020	Operations Supplies and Expenses	56	<56>	-0-
6205	Operation Labor	182	<182>	-0-
6201				
9330	Transportation Expenses	349	-0-	349
9280	Regulatory Commission Expense	-0-	866	866
9408	Taxes Other Than Income Taxes	123	-0-	123
9428	Amortization of Debt Discount	89	-0-	89
9403	Depreciation Expense	14,977	14,703	29,680
	Amortization of Griffin Industries Dispute	-0-	179	179
	Amortization of Cotton and Allen Audit	-0-	323	323
	<u>Other Income:</u>			
4890	Interest Income	2,297	-0-	2,297
	<u>Other Deductions:</u>			
9427	Interest on Long- Term Debt	18,516	-0-	18,516
9431	Other Interest Exp.	1,297	-0-	1,297
	NET INCOME (Loss)	<u>\$<10,882></u>	<u>\$<4,678></u>	<u>\$<16,564></u>

CONCLUSIONS AND RECOMMENDATIONS

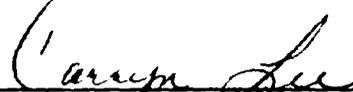
Due to the limited scope of the audit, the staff did not attempt to verify Pendleton's plant in service. However, the auditors' workpapers were reviewed and appear to be correct. Pendleton should reclassify the plant in service per the auditors' workpapers. Pursuant to the USoA, Pendleton should not make an adjustment to the depreciation expense based upon contributed property. This is a rate-making issue and should not be reflected in Pendleton's accounting records. The aforementioned items which were capitalized and depreciated or amortized, should be reclassified on Pendleton's books.

Pendleton should exercise more care when charging the various expenses to the appropriate accounts. In addition, Pendleton should record the accounting transactions in a more timely manner to help facilitate proper accounting treatment of revenues and expenses.

Respectfully Submitted,



Angela Schweickart, Public Utilities
Financial Analyst Senior
Water and Sewer Revenue Requirements
Branch
Rates and Tariffs Division



Carryn Lee, Public Utilities Rate
Analyst Chief
Communication, Water and Sewer
Rate Design Branch
Rates and Tariffs Division

EXHIBIT I
BILLING ANALYSIS

Pendleton has proposed a Phase III expansion which would add 130 customers to its system. Pendleton calculated the proposed revenue to be received from these customers based on an average monthly usage of 4,000 gallons per customer. While performing the billing analysis, the staff determined that an average usage of 5,000 gallons per month more accurately reflects the average usage of Pendleton's customers. Therefore, the staff's billing analysis is based on the 130 new customers using an average of 5,000 gallons per month.

Summary of Staff's Billing Analysis

<u>Page No.</u>	<u>Amount</u>
2. Division I Test Year Revenue	\$ 91,613.20
3. Division II Test Year Revenue (January to July, 1985)	29,522.32
5. Division II Test Year Revenue (August to December 1985)	<u>25,099.11</u>
Total 1985 Revenue from Water Sales	\$146,712.31
7. Division II Normalized Revenue Division I Revenue	\$ 63,406.15 <u>91,613.20</u>
Test Year Normalized Revenue	\$155,019.35
Phase III Expansion at Test Year Rates	30,326.40
9. Proposed Rates and Revenue with Phase III Expansion	307,136.59
11. Proposed Rates and Revenue Without Phase III Expansion	204,082.19

PENDLETON COUNTY WATER DISTRICT
CASE NO. 9625
BILLING ANALYSIS

DIVISION I PRESENT RATES
JANUARY - DECEMBER 1985

<u>USAGE TABLE</u>							
<u>Increments</u>		<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>First 2,000</u>	<u>Next 3,000</u>	<u>Next 10,000</u>	<u>Over 15,000</u>
First 2,000 gal.	1,482	1,652.8	1,652.8	3,994.3	5,563.7	16,158.9	
Next 3,000 gal.	2,637	9,218.3	5,274.0	6,408.0	2,630.0	16,158.9	
Next 10,000 gal.	2,136	16,243.7	4,272.0	789.0	8,193.7		
Over 15,000 gal.	263	20,103.9	526.0				
Total	<u>6,518</u>	<u>47,218.7</u>	<u>11,724.8</u>	<u>11,141.3</u>			

<u>REVENUE TABLE</u>							
<u>Increments</u>		<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>Present Rate</u>	<u>Annual Revenue</u>		
First 2,000 gal.	6,518	11,724.8	\$6.30	\$41,063.40			
Next 3,000 gal.		11,141.3	1.95	21,725.54			
Next 10,000 gal.		8,193.7	1.25	10,242.13			
Over 15,000 gal.		16,158.9	1.15	18,582.74			
Total	<u>6,518</u>	<u>47,218.7</u>		<u>\$91,613.20</u>			

PENDLETON COUNTY WATER DISTRICT
CASE NO. 9625
BILLING ANALYSIS

DIVISION II TEST YEAR RATES
JANUARY - JULY 1985

USAGE TABLE - GENERAL CUSTOMERS

<u>Increments</u>	<u>Bills</u>	<u>Gallons</u>				<u>Over</u>
		<u>1,000's</u>	<u>2,000</u>	<u>3,000</u>	<u>10,000</u>	
First 2,000 gal.	86	69.4	69.4	385.2	352.5	365.7
Next 3,000 gal.	240	865.2	480.0	366.0	250.0	
Next 10,000 gal.	122	962.5	244.0	75.0	602.5	
Over 15,000 gal.	25	740.7	50.0			
<u>Total</u>	<u>473</u>	<u>2,637.8</u>	<u>843.4</u>	<u>826.2</u>		<u>365.7</u>

USAGE TABLE - GRIFFIN IND.

<u>Increments</u>	<u>Bills</u>	<u>Gallons</u>				<u>Over</u>
		<u>1,000's</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	
First 1,200,000 gal.	6	4,182.45	4,182.45	194.15		
Over 1,200,000 gal.	1	1,394.15	1,200.0	194.15		
<u>Total</u>	<u>7</u>	<u>5,576.6</u>	<u>5,382.45</u>	<u>194.15</u>		

USAGE TABLE - HIGH SCHOOL

<u>Increments</u>	<u>Bills</u>	<u>Gallons</u>				<u>Over</u>
		<u>1,000's</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	
First 150,000 gal.	7	373.6	373.6	0		
Over 150,000 gal.	0	0	0	0		
<u>Total</u>	<u>7</u>	<u>373.6</u>	<u>373.6</u>	<u>0</u>		

PENDLETON COUNTY WATER DISTRICT
CASE NO. 9625
BILLING ANALYSIS

DIVISION II TEST YEAR RATES
JANUARY - JULY 1985

REVENUE TABLE - GENERAL CUSTOMERS

<u>Increments</u>	<u>Bills</u>	<u>Gallons 1,000's</u>	<u>Rate</u>	<u>Revenue</u>
First 2,000 gal.	473	843.4	\$8.27	\$3,911.71
Next 3,000 gal.		826.2	2.94	2,429.03
Next 10,000 gal.		602.5	2.24	1,349.60
Over 15,000 gal.		365.7	2.14	782.60
<u>Total</u>	<u>473</u>	<u>2,637.8</u>		<u>\$8,472.94</u>

REVENUE TABLE - GRIFFIN IND.

<u>Increments</u>	<u>Bills</u>	<u>Gallons 1,000's</u>	<u>Rate</u>	<u>Revenue</u>
First 1,200,000 gal.	7	5,382.45	\$2,608.00	\$18,256.00
Over 1,200,000 gal.	0	194.15	2.14	415.48
<u>Total</u>	<u>7</u>	<u>5,576.60</u>		<u>\$18,671.48</u>

REVENUE TABLE - HIGH SCHOOL

<u>Increments</u>	<u>Bills</u>	<u>Gallons 1,000's</u>	<u>Rate</u>	<u>Revenue</u>
First 150,000 gal.	7	373.6	\$ 339.70	\$2,377.90
Over 150,000 gal.	0	0	2.14	0
<u>Total</u>	<u>7</u>	<u>373.6</u>		<u>\$2,377.90</u>

DIVISION II REVENUE JANUARY - JULY 1985

General	\$ 8,472.94
Griffin Ind.	18,671.48
High School	2,377.90
<u>Total</u>	<u>\$ 29,522.32</u>

PENDLETON COUNTY WATER DISTRICT
CASE NO. 9625
BILLING ANALYSIS

DIVISION II PRESENT RATES
AUGUST - DECEMBER 1985

USAGE TABLE - GENERAL CUSTOMERS

<u>Increments</u>	<u>Bills</u>	<u>Gallons</u> 1,000's	<u>First</u> 2,000	<u>Next</u> 3,000	<u>Next</u> 10,000	<u>Over</u> 15,000
First 2,000 gal.	71	66.7	66.7			
Next 3,000 gal.	170	597.3	340.0	257.3		
Next 10,000 gal.	84	645.2	168.0	252.0	225.2	
Over 15,000 gal.	15	403.34	30.0	45.0	150.0	178.34
Total	<u>340</u>	<u>1,712.54</u>	<u>604.7</u>	<u>554.3</u>	<u>375.2</u>	<u>178.34</u>

USAGE TABLE - GRIFFIN IND.

<u>Increments</u>	<u>Bills</u>	<u>Gallons</u> 1,000's	<u>First</u> 1,200,000	<u>Over</u> 1,200,000
First 1,200,000 gal.	5	4,056.94	4,056.94	
Over 1,200,000 gal.	0			0
Total	<u>5</u>	<u>4,056.94</u>	<u>4,056.94</u>	<u>0</u>

USAGE TABLE - HIGH SCHOOL

<u>Increments</u>	<u>Bills</u>	<u>Gallons</u> 1,000's	<u>First</u> 150,000	<u>Over</u> 150,000
First 150,000 gal.	4	234.31	234.31	
Over 150,000 gal.	1	595.2	150.0	445.2
Total	<u>5</u>	<u>829.51</u>	<u>384.31</u>	<u>445.2</u>

PENDLETON COUNTY WATER DISTRICT
CASE NO. 9625
BILLING ANALYSIS

DIVISION II PRESENT RATES
AUGUST - DECEMBER 1985

REVENUE TABLE - GENERAL CUSTOMERS

<u>Increments</u>	<u>Bills</u>	<u>Gallons</u>		<u>Rate</u>	<u>Revenue</u>
		<u>1,000's</u>			
First 2,000 gal.	340	604.7		\$9.21	\$3,131.40
Next 3,000 gal.		554.3		3.41	1,890.16
Next 10,000 gal.		375.2		2.71	1,016.79
Over 15,000 gal.		178.34		2.61	465.47
<u>Total</u>	<u>340</u>	<u>1,712.54</u>			<u>6,503.82</u>

REVENUE TABLE - GRIFFIN IND.

<u>Increments</u>	<u>Bills</u>	<u>Gallons</u>		<u>Rate</u>	<u>Revenue</u>
		<u>1,000's</u>			
First 1,200,000	5	4,056.94		\$3,172.00	\$15,860.00
Over 1,200,000	0	0		2.61	0
<u>Total</u>	<u>5</u>	<u>4,056.94</u>			<u>\$15,860.00</u>

REVENUE TABLE - HIGH SCHOOL

<u>Increments</u>	<u>Bills</u>	<u>Gallons</u>		<u>Rate</u>	<u>Revenue</u>
		<u>1,000's</u>			
First 150,000	5	384.31		\$410.20	\$2,051.00
Over 150,000	0	445.2		2.61	1,161.97
<u>Total</u>	<u>5</u>	<u>829.51</u>			<u>\$3,212.97</u>

DIVISION II REVENUE AUGUST - DECEMBER 1985

General Customers	\$ 6,503.82
Griffin Ind.	15,860.00
High School	<u>3,212.97</u>
<u>Total</u>	<u>\$25,576.79</u>

TOTAL 1985 REVENUE FROM DIVISION II \$55,099.11

PENDLETON COUNTY WATER DISTRICT
CASE NO. 9625
BILLING ANALYSIS

DIVISION II
NORMALIZED REVENUE

USAGE TABLE - GENERAL CUSTOMERS

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>First 2,000</u>	<u>Next 3,000</u>	<u>Next 10,000</u>	<u>Over 15,000</u>
First 2,000 gal.	157	136.10	136.10			
Next 3,000 gal.	410	1,462.50	820.0	642.5		
Next 10,000 gal.	206	1,607.70	412.0	618.0	577.7	
Over 15,000 gal.	40	1,144.04	80.0	120.0	400.0	544.04
Total	<u>813</u>	<u>4,350.34</u>	<u>1,448.1</u>	<u>1,380.5</u>	<u>977.7</u>	<u>544.04</u>

USAGE TABLE - GRIFFIN IND.

<u>Increments</u>	<u>Bills</u>	<u>Gallons 1,000's</u>	<u>First 1,200,000</u>	<u>Over 1,200,000</u>
First 1,200,000 gal.	11	8,239.39	8,239.39	
Over 1,200,000 gal.	1	1,394.15	1,200.00	194.15
Total	<u>12</u>	<u>9,633.54</u>	<u>9,439.39</u>	<u>194.15</u>

USAGE TABLE - HIGH SCHOOL

<u>Increments</u>	<u>Bills</u>	<u>Gallons 1,000's</u>	<u>First 150,000</u>	<u>Over 150,000</u>
First 150,000 gal.	11	607.91	607.91	
Over 150,000 gal.	1	595.2	150.0	445.2
Total	<u>12</u>	<u>1,203.11</u>	<u>757.91</u>	<u>445.2</u>

PENDLETON COUNTY WATER DISTRICT
CASE NO. 9625
BILLING ANALYSIS

DIVISION II
NORMALIZED REVENUE

REVENUE TABLE - GENERAL CUSTOMERS

<u>Increments</u>	<u>Bills</u>	<u>Gallons 1,000's</u>	<u>Rate</u>	<u>Revenue</u>
First 2,000 gal.	813	1,448.1	\$9.21	\$7,487.73
Next 3,000 gal.		1,380.5	3.41	4,707.51
Next 10,000 gal.		977.7	2.71	2,649.57
Over 15,000 gal.		544.04	2.61	1,419.94
<u>Total</u>	<u>813</u>	<u>4,350.34</u>		<u>\$18,751.05</u>

REVENUE TABLE - GRIFFIN IND.

<u>Increments</u>	<u>Bills</u>	<u>Gallons 1,000's</u>	<u>Rate</u>	<u>Revenue</u>
First 1,200,000 gal.	12	9,439.39	\$3,172.00	\$38,064.00
Over 1,200,000 gal.		194.15	2.61	506.73
<u>Total</u>	<u>12</u>	<u>9,633.54</u>		<u>\$38,570.73</u>

REVENUE TABLE - HIGH SCHOOL

<u>Increments</u>	<u>Bills</u>	<u>Gallons 1,000's</u>	<u>Rate</u>	<u>Revenue</u>
First 150,000	12	757.91	\$410.20	\$4,922.40
Over 150,000	0	445.2	2.61	1,161.97
<u>Total</u>	<u>12</u>	<u>1,203.11</u>		<u>\$6,084.37</u>

Division II Normalized Revenue
Division I Revenue
Test Year Normalized Revenue

\$ 63,406.15
91,613.20
\$155,019.35

(With Phase 3 Expansion)
130 customers at 5,000 gallons
\$19.44 x 130 x 12 = \$ 30,326.40

63,406.15
91,613.20
\$185,345.75

PENDLETON COUNTY WATER DISTRICT

CASE NO. 9625

BILLING ANALYSIS JANUARY - DECEMBER 1985

DIVISION I AND II WITH PHASE 3 EXPANSION
PROPOSED RATES

USAGE TABLE - GENERAL CUSTOMERS

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>First 2,000</u>	<u>Next 3,000</u>	<u>Next 10,000</u>	<u>Over 15,000</u>
First 2,000 gal.	1,639	1,788.9	1,788.9	9,266.8	6,141.4	16,702.94
Next 3,000 gal.	4,607	18,480.8	9,214.0	7,026.0	3,030.0	16,702.94
Next 10,000 gal.	2,342	17,851.4	4,684.0	909.0	9,171.4	16,702.94
Over 15,000 gal.	303	21,247.94	606.0			
Total	8,891	59,369.04	16,292.9	17,201.8	9,171.4	16,702.94

USAGE TABLE - GRIFFIN IND.

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>First 400,000</u>	<u>Over 400,000</u>
First 400,000 gal.	1	296.28	296.28	4,937.33
Over 400,000 gal.	11	9,337.33	4,400.0	4,937.33
Total	12	9,633.61	4,696.28	4,937.33

USAGE TABLE - HIGH SCHOOL

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>First 400,000</u>	<u>Over 400,000</u>
First 125,000 gal.	11	607.9	607.9	470.2
Over 125,000 gal.	1	595.2	125.0	470.2
Total	12	1,203.1	732.9	470.2

PENDLETON COUNTY WATER DISTRICT

CASE NO. 9625

BILLING ANALYSIS JANUARY - DECEMBER 1985

DIVISION I AND II WITH PHASE 3 EXPANSION
PROPOSED RATES

REVENUE TABLE - GENERAL CUSTOMERS

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>Proposed Rate</u>	<u>Annual Revenue</u>
First 2,000 gal.	8,891	16,292.9	\$9.25	\$82,241.75
Next 3,000 gal.		17,201.8	4.25	73,107.65
Next 10,000 gal.		9,171.4	4.15	38,061.31
Over 15,000 gal.		16,702.94	4.00	66,911.76
<u>Total</u>	<u>8,891</u>	<u>59,369.04</u>		<u>\$260,222.47</u>

REVENUE TABLE - GRIFFIN IND.

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>Proposed Rate</u>	<u>Annual Revenue</u>
First 400,000 gal.	12	4,696.28	\$1,603.50	\$19,242.00
Over 400,000 gal.		4,937.33	4.00	19,749.32
<u>Total</u>	<u>12</u>	<u>9,633.61</u>		<u>\$38,991.32</u>

REVENUE TABLE - HIGH SCHOOL

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>Proposed Rate</u>	<u>Annual Revenue</u>
First 125,000 gal.	12	732.9	\$503.50	\$6,042.00
Over 125,000 gal.		470.2	4.00	1,880.80
<u>Total</u>	<u>12</u>	<u>1,203.1</u>		<u>\$7,922.80</u>
<u>Total Revenue</u>				<u>\$307,136.59</u>

PENDLETON COUNTY WATER DISTRICT

CASE NO. 9625

BILLING ANALYSIS JANUARY - DECEMBER 1985

DIVISION I AND II WITHOUT PHASE 3 EXPANSION
PROPOSED RATES

USAGE TABLE - GENERAL CUSTOMERS

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>First 2,000</u>	<u>Next 3,000</u>	<u>Next 10,000</u>	<u>Over 15,000</u>
First 2,000 gal.	1,639	1,788.9	1,788.9	4,586.8	6,141.4	16,702.94
Next 3,000 gal.	3,047	10,680.8	6,094.0	7,026.0	3,030.0	16,702.94
Next 10,000 gal.	2,342	17,851.4	4,684.0	909.0	3,030.0	16,702.94
Over 15,000 gal.	303	21,247.94	606.0	909.0	3,030.0	16,702.94
Total	7,331	51,569.04	13,172.9	12,521.8	9,171.4	16,702.94

USAGE TABLE - GRIFFIN IND.

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>First 400,000</u>	<u>Over 400,000</u>
First 400,000 gal.	1	296.28	296.28	4,937.33
Over 400,000 gal.	11	9,337.33	4,400.0	4,937.33
Total	12	9,633.61	4,696.28	4,937.33

USAGE TABLE - HIGH SCHOOL

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>First 400,000</u>	<u>Over 400,000</u>
First 125,000 gal.	11	607.9	607.9	470.2
Over 125,000 gal.	1	595.2	125.0	470.2
Total	12	1,203.1	732.9	470.2

PENDLETON COUNTY WATER DISTRICT

CASE NO. 9625

BILLING ANALYSIS JANUARY - DECEMBER 1985

DIVISION I AND II WITHOUT PHASE 3 EXPANSION
PROPOSED RATES

REVENUE TABLE - GENERAL CUSTOMERS

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>Proposed Rate</u>	<u>Annual Revenue</u>
First 2,000 gal.	7,331	13,172.9	\$7.50	\$54,982.50
Next 3,000 gal.		12,521.8	3.90	48,835.02
Next 10,000 gal.		9,171.4	3.70	33,934.18
Over 15,000 gal.		16,702.94	3.60	60,130.58
<u>Total</u>	<u>7,331</u>	<u>51,569.04</u>		<u>\$197,882.28</u>

REVENUE TABLE - GRIFFIN IND.

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>Proposed Rate</u>	<u>Annual Revenue</u>
First 400,000 gal.	12	4,696.28	\$1,442.20	\$17,306.40
Over 400,000 gal.		4,937.33	3.60	17,774.39
<u>Total</u>	<u>12</u>	<u>9,633.61</u>		<u>\$35,080.79</u>

REVENUE TABLE - HIGH SCHOOL

<u>Increments</u>	<u>Annual Bills</u>	<u>Gallons 1,000's</u>	<u>Proposed Rate</u>	<u>Annual Revenue</u>
First 125,000 gal.	12	732.9	\$452.20	\$5,426.40
Over 125,000 gal.		470.2	3.60	1,692.72
<u>Total</u>	<u>12</u>	<u>1,203.1</u>		<u>\$7,119.12</u>
<u>Total Revenue</u>				<u>\$240,082.19</u>