

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE LEVEE ROAD WATER)
ASSOCIATION, INC., A NON-PROFIT, NON-STOCK)
CORPORATION ORGANIZED PURSUANT TO CHAPTER)
273 OF THE KENTUCKY REVISED STATUTES, OF)
MONTGOMERY COUNTY KENTUCKY, FOR (1) A)
CERTIFICATE OF PUBLIC CONVENIENCE AND NE-)
CESSITY, AUTHORIZING AND PERMITTING SAID) CASE NO. 9212
ASSOCIATION TO EXPAND ITS DISTRIBUTION)
SYSTEM TO ADDITIONAL TERRITORY NOT SERVED)
BY ANY WATER SOURCE: (2) APPROVAL OF THE)
PROPOSED PLAN OF FINANCING OF SAID PROJECT:)
AND (3) APPROVAL OF THE WATER RATES PRO-)
POSED TO BE CHARGED BY THE ASSOCIATION TO)
CUSTOMERS OF THE ASSOCIATION.)

O R D E R

IT IS ORDERED that Levee Road Water Association, Inc., (Levee Road) shall file an original and eight copies of the following information with the Commission with a copy to all parties of record within 3 weeks of the date of this Order. Levee Road shall also furnish with each response the name of the witness who will be available at the public hearing for responding to questions concerning each area of information requested. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

In numerous past cases, the Commission has established a precedent for rate-making purposes of allowing only known and measurable increases to actual test year expenses which can be

substantiated by appropriate documentation (invoices, etc.) in support of the increase to the actual expense. Please review your application in light of the following questions and file any additional support which may be necessary.

1. On Exhibit H of the financial information submitted to the Commission on April 8, 1985, shows salaries of \$8,401 paid during 1984 and allocated to the following operating expense accounts:

Trans. & Distribution Expenses-Operation Labor	\$ 1,619
Customer Accounts Expenses-Meter Reading Labor	2,816
Administrative and General Salaries	2,816
Office Supplies & Other Expense - Bonus	<u>1,150</u>
Total	<u>\$ 8,401</u>

Provide the following information concerning the above-mentioned salaries:

- a. Name and title of each employee.
- b. Amount each employee received related to the \$8,401.
- c. Method of allocation used in apportioning the total amount to the individual operating expense accounts.
- d. Describe the purpose of the bonus of \$1,150 and to whom it was paid.

2. Exhibit H shows directors fees of \$1,770 paid during the test period. Provide the names of the directors and the amount received by each director.

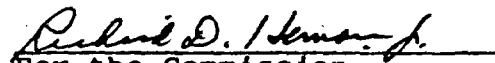
3. Exhibit H shows rent in the amount of \$1,200 paid during the test period. Is this the cost of renting office space and to

8. The rate granted in Case No. 5656, dated March 22, 1972, for all water sold over 50,000 gallons is 75 cents per 1,000 gallons. Exhibit D, of the Accountant's Report shows the present rate charged for all water sold over 50,000 gallons to be \$1.00 per 1,000 gallons. What rate was actually charged during the test year?

9. Provide a billing analysis for the entire 12 months of the test period, corresponding to usage levels, in accordance with the attached sample.

Done at Frankfort, Kentucky, this 30th day of April, 1985.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX B

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8775 DATED 4/30/85

BILLING ANALYSIS

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of a rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step. Initial recording of usage should be in 100 gallon increments. Where there are only a few very large users or contract customers, actual usage should be used. Usage between 0-100 gallons should be shown as 100, between 101-200 as 200, etc. The usages and customers are then combined for purposes of the usage table as follows:

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Columns Nos. 4, 5, 6, 7, 8 and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contains the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns No. 2 and 3 are completed by using information obtained from usage records.

Columns No. 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1st 2,000 gallons minimum bill rate level
432 Bills
518,400 gallons used
All bills use 2,000 gallons or less,
therefore, all usage is recorded in
Column 4.

- Step 2: Next 3,000 gallons rate level
 1,735 Bills
 4,858,000 gallons used
 1st 2,000 minimum x 1,735 bills = 3,470,000
 gallons - record in Column 4
 Next 3,000 gallons - remainder of water over
 2,000 = 1,388,000 - record in Column 5
- Step 3: Next 10,000 gallons rate level
 1,830 Bills
 16,268,700 gallons used
 1st 2,000 minimum x 1,830 bills = 3,660,000
 gallons - record in Column 4
 Next 3,000 gallons x 1,830 bills = 5,490,000
 gallons - record in Column 5
 Next 10,000 gallons - remainder of water over
 3,000 = 7,118,700 gallons - record in
 Column 6
- Step 4: Next 25,000 gallons rate level
 650 bills
 15,275,000 gallons used
 1st 2,000 minimum x 650 bills = 1,300,000
 gallons record in Column 4
 Next 3,000 gallons x 650 bills = 1,950,000
 gallons record in Column 5
 Next 10,000 gallons x 650 bills = 6,500,000
 gallons - record in Column 6
 Next 25,000 gallons - remainder of water over
 10,000 gallons = 5,525,000 gallons - record
 in Column 7
- Step 5: Over 40,000 gallons rate level
 153 bills
 9,975,600 gallons used
 1st 2,000 minimum x 153 bills = 306,000
 gallons - record in Column 4
 Next 3,000 gallons x 153 bills = 459,000
 gallons - record in Column 5
 Next 10,000 gallons x 153 bills = 1,530,000
 gallons - record in Column 6
 Next 25,000 gallons x 153 bills = 3,825,000
 gallons - record in Column 7
 Over 40,000 gallons - remainder of water over
 25,000 = 3,855,600 gallons - record in
 Column 8
- Step 6: Total each column for transfer to Revenue
 Table.

b. Revenue Table (Revenue by Rate Increment)

Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7 and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains revenue produced.

Example for completing Revenue Table is as follows:

Complete Columns no. 1, 2 and 3 using information from Usage Table.

Complete Column No. 4 using rate either present or proposed.

Column No. 5 is completed by first multiplying the bills times the minimum charge.

Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Revenue from Present/Proposed Rates

Test Period from 1-1-81 to 12-31-81

USAGE TABLE Usage by Rate Increment

Residential

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Minimum Bill	Bills	Gallons/MCF	1st 2,000	Next 3,000	Next 10,000	Next 25,000	Over 40,000	Total
2,000: Minimum Bill	432	518,400	518,400	1,388,000	7,218,700	5,525,000	3,825,000	518,400
3,000 Gallons	1,735	4,858,000	3,470,000	5,490,000	6,500,000	5,525,000	3,825,000	4,858,000
10,000 Gallons	1,830	16,268,700	3,660,000	1,950,000	1,530,000	1,825,000	3,825,000	16,268,700
25,000 Gallons	650	15,275,000	1,300,000	459,000				15,275,000
40,000 Gallons	153	9,975,600	306,000					9,975,600
Total	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

REVENUE TABLE

Revenue By Rate Increment

(1)	(2)	(3)	(4)	(5)
Minimum Bill	Bills	Gallons/MCF	Rate	Revenue
2,000: Minimum Bill	4,800	9,254,400	\$.00 Min.	\$24,000.00
3,000 Gallons		9,287,000	2.50	23,217.50
10,000 Gallons		15,148,700	2.00	30,297.40
25,000 Gallons		9,350,000	1.25	11,687.50
40,000 Gallons		3,855,600	.75	2,891.70
				\$92,094.10 Total Revenue