

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF SYMSONIA SEWER)
DISTRICT FOR AN ADJUSTMENT OF RATES)
PURSUANT TO THE ALTERNATIVE RATE) CASE NO. 9365
FILING PROCEDURE FOR SMALL UTILITIES)

O R D E R

On June 12, 1985, Symsonia Sewer District ("Symsonia") filed with the Commission an application requesting authority to increase its sewer rates. This application was filed pursuant to 807 KAR 5:076, Alternative Rate Adjustment Procedure for Small Utilities ("ARF"). Symsonia stated that the requested increase was necessary to offset losses from operations from the past several years. The proposed rates would produce additional operating revenues of approximately \$4,610 annually, an increase of 17.4 percent over normalized test-year operating revenues. Based upon the determination herein, Symsonia's operating revenue will increase by \$4,610 an increase of 17.4 percent.

As part of its endeavor to shorten and simplify the regulatory process for small utilities, the Commission chose to perform a limited financial audit and a billing inspection for the test year (calendar year 1984). The Commission's objective was to substantially reduce the need for written data requests, thus reducing the expense to Symsonia. The staff audit report and the billing inspection of Symsonia's financial operations for the

calendar year 1984 were filed as a part of the record in this case on October 4, 1985, and September 16, 1985, respectively.

A hearing was not requested in this matter, and in accordance with the provisions of the ARF, no hearing was conducted. The decision of the Commission is based upon information contained in the application, written submissions, annual reports, staff reports and other documents on file in the Commission offices.

COMMENTARY

Symsonia is a non-profit sewer utility providing sewer service to approximately 180 customers in Graves County, Kentucky.

TEST PERIOD

Symsonia proposed and the Commission has accepted the 12-month period ending December 31, 1984, as the test period for determining the reasonableness of the proposed rates.

REVENUES AND EXPENSES

For the test period, Symsonia reported a net loss of \$21,839. Symsonia proposed several pro forma adjustments to revenues and expenses to reflect more current and anticipated operating conditions. The Commission is of the opinion that the proposed adjustments are generally proper and acceptable for rate-making purposes with the following modifications:

Staff Audit Report Adjustments

In the course of its investigation in this case, the Commission staff performed a limited audit to verify reported test-year expenses and determine what accounting or classification changes might be appropriate. Based upon the findings contained

in the Commission's Audit Report of Symsonia dated October 4, 1985, and the Billing Inspection dated September 16, 1985, the Commission has made the following adjustments to reported test-year operating expenses:

	1983 Actual per <u>Annual Report</u>	<u>Adjustments</u>	Test Year per <u>Staff Audit</u>
Operating Revenues	\$ 26,849	\$<341>	\$ 26,508
Operating Expenses	<u>52,458</u>	<u>-0-</u>	<u>52,458</u>
Operating Income	\$<25,950>	\$<341>	\$<25,950>
Other Income	3,770	-0-	3,770
Net Income	<u>\$<21,839></u>	<u>\$<341></u>	<u>\$<22,180></u>

The Commission has made additional adjustments to the test year, as determined in the audit report, based upon the following findings of fact to reflect more normal and current operating conditions.

General Increase in Costs Adjustment

Symsonia proposed to increase several expense accounts by 10 percent, resulting in a total adjustment of \$1,836. Symsonia stated that these adjustments were based upon estimated increases in expense levels. The Commission notified Symsonia that estimated adjustments of this nature do not meet the known and measurable criteria established by the Commission for pro forma adjustments, and provided Symsonia with an opportunity to respond to this rate-making treatment. Symsonia responded that it agreed with the Commission's policy on this issue. Therefore, the proposed adjustments based on estimated increases have not been allowed herein for rate-making purposes.

Depreciation

The Commission has, in numerous sewer and water utility rate cases, established the practice of disallowing for rate-making purposes depreciation on contributed property. Symsonia did not propose an adjustment to reflect this practice, and was given an opportunity to present evidence as to why this rate-making treatment should not be applied in this instance. Symsonia stated that it agreed with the Commission's practice on this issue.

According to the 1984 Annual Report, the value of gross utility plant in service at the end of the test period was \$1,031,406. Contributions in Aid of Construction totaled \$1,059,828 at the end of the test year. Thus, all depreciation expense is associated with contributed property. Therefore, all test-year depreciation expense of \$21,000 has been disallowed for rate-making purposes.

After consideration of the aforementioned adjustments, the Commission finds Symsonia's test-period operations to be as follows:

	<u>Actual per Audit Report</u>	<u>Pro Forma Adjustments</u>	<u>Adjusted Test Period</u>
Operating Revenues	\$ 26,508	\$ -0-	\$ 26,508
Operating Expenses	52,458	<21,000>	31,458
Net Operating Income	<u><25,609></u>	<u>\$ 21,000</u>	<u>\$< 4,950></u>
Other Income	3,770	-0-	3,770
Net Income (Loss)	<u><u><22,180></u></u>	<u><u>\$ 21,000</u></u>	<u><u>\$< 1,180></u></u>

REVENUE REQUIREMENTS

Historically, including Symsonia's last case, the Commission has used the operating ratio as the criterion for determining revenues for non-profit sewer utilities, and it finds no reason to deviate from this established practice in this proceeding. The rates proposed by Symsonia would generate an operating ratio of .91 and total revenues of \$34,576. The Commission is of the opinion and finds that the revenue increase requested by Symsonia will produce gross annual revenue sufficient to pay Symsonia's operating expenses, service its debt and provide a reasonable surplus for equity growth and should, therefore, be approved.

SUMMARY

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. Symsonia's proposed rates are fair, just and reasonable and should be approved.
2. The rates in Appendix A, as proposed by Symsonia, are fair, just and reasonable rates for Symsonia and will produce gross annual revenue sufficient to pay its operating expenses, service its debt and provide a reasonable surplus for equity growth.

IT IS THEREFORE ORDERED that:


1. Symsonia's proposed rates be and they hereby are approved.

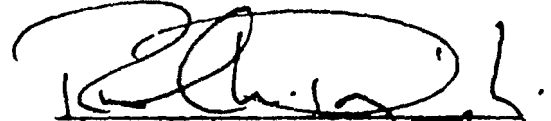
2. The rates in Appendix A, as proposed by Symsonia, be and they hereby are approved for service rendered by Symsonia on and after the date of this Order.

3. Within 30 days from the date of this Order Symsonia shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 20th day of December, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9365 DATED 12/20/85

The following rates and charges are prescribed for the customers in the area served by Symsonia Sewer District located in Graves County, Kentucky. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES: Monthly

Residential	\$13.50
Board of Education	13.50 per R.E.*
Apartment Buildings	13.50 per R.E.

- * The number of residential equivalents and/or fractional parts thereof shall be determined by dividing the customer's monthly water consumption by 12,000 gallons. The minimum bill for this type service shall be \$13.50.