

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF MARROWBONE CREEK)
WATER DISTRICT, SHELBY VALLEY)
WATER DISTRICT, POND CREEK WATER) CASE NO. 9499
DISTRICT AND JOHN'S CREEK WATER)
DISTRICT)

O R D E R

On January 24, 1986, the Commission received from the Pike County Fiscal Court a request for Commission assistance to accomplish the merger of existing water districts into a county-wide water system. Attached to this request were resolutions from the Marrowbone Creek, Shelby Valley, Pond Creek and John's Creek Water Districts. On January 30, 1986, the Commission established this case to begin its investigation. In order to facilitate the Commission's review, the water districts should promptly furnish the information requested below.

IT IS THEREFORE ORDERED that:

Marrowbone Creek Water District, Shelby Valley Water District, Pond Creek Water District, and John's Creek Water District shall file an original and 3 copies of the following information, as each pertains to its own district, with the Commission by May 19, 1986.

1. Provide copies of all debt obligations of each district, including copies of each bond ordinance, indenture, and loan agreement.

2. Provide a list of the holder of each debt of the districts and the name and address of the agent to whom payments are made. In addition, the list shall state the outstanding amount due, the final retirement date, and the present payment status of each debt.

3. Provide a copy of audit performed by an independent CPA, or by the auditor of public accounts, as provided by KRS 65.065.

4. Provide copies of all County Judge or Fiscal Court Orders establishing each district and defining its boundaries.

IT IS FURTHER ORDERED that:

John's Creek shall state whether it provides water service to any customers, whether it operates any facilities, or whether it has any employees.

IT IS FURTHER ORDERED that:

Shelby Valley shall provide a billing analysis in the manner illustrated by the example in Exhibit A.

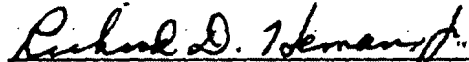
IT IS FURTHER ORDERED that:

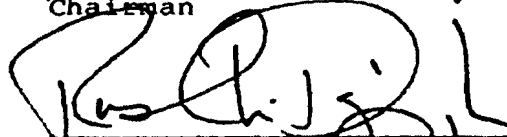
The Districts shall file a joint report with the Commission outlining the proposed schedule of events regarding the merger. The report shall include the dates of any proposed construction, the date and manner of any proposed debt consolidation, the date of any proposed boundary modification or adjustment, and an opinion by a recognized bond counsel as to the most expedient manner of

effecting an acceptable merger under the conditions of the existing bond ordinances of all four district.

Done at Frankfort, Kentucky, this 17th day of April, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

EXHIBIT A

1. Using tally marks, record the usage shown on each bill in the appropriate usage level on the tally sheet. Usage from 0-100 gallons would be recorded in the 100 level; from 101-200 gallons in the 200 level, etc.
2. When this is completed, count the tally marks. This would represent the number of bills at each level.
3. Multiply the usage level by the number of bills (100 gallons x 25 bills) to arrive at the total usage at each level.
4. Divide the usage and bills into sections that coincide with present and/or proposed rate schedule (1st 2000 gallons, next 2000 gallons, next 2000 gallons, next 44,000 gallons, etc.)
5. Add the bills and usage in each section and enter the totals in columns 2 and 3, respectively, of the "usage table by rate increment."

Once these initial steps are done, I believe you will be able to complete the billing analysis according to the instructions contained in the enclosure titled "Billing Analysis."

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

USACE TABLE
Usage by Rate Increment

Residential

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Bills	Gallons/MCF	1st 2,000	Next 3,000	Next 10,000	Next 25,000	Over 30,000	Total
2,000: Minimum Bill	432	518,400	518,400	1,388,000				511
3,000 Gallons	1,735	4,858,000	3,470,000	5,490,000	7,110,700			4,851
0,000 Gallons	1,030	16,268,700	3,660,000	5,490,000	6,500,000	5,525,000		16,261
5,000 Gallons	650	15,275,000	1,300,000	1,950,000	1,530,000	2,825,000	3,855,600	15,221
0,000 Gallons	153	9,975,600	306,000	459,000				9,927
Total	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,891

REVENUE TABLE

Revenue By Rate Increment

(1)	(2)	(3)	(4)	(5)
	Bills	Gallons/MCF	Rate	Revenue
2,000: Minimum Bill	4,800	9,254,400	\$5.00 Min.	\$24,000.00
3,000 Gallons		9,287,000	2.50	23,217.50
0,000 Gallons		15,148,700	2.00	30,297.40
5,000 Gallons		9,350,000	1.25	11,687.50
0,000 Gallons		3,855,600	.75	2,891.70
				\$92,094.10 Total Revenue