

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SANDY HOOK WATER)
DISTRICT FOR A RATE ADJUSTMENT PURSUANT) CASE NO.
TO THE ALTERNATIVE RATE FILING PROCEDURE) 99-358
FOR SMALL UTILITIES)

ORDER

On August 25, 1999, Sandy Hook Water District (Sandy Hook) filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of Sandy Hook s operations, has prepared the attached Staff Report containing Staff s findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 25th day of October, 1999.

ATTEST:

By the Commission

Executive Director

STAFF REPORT
ON
SANDY HOOK WATER DISTRICT
CASE NO. 99-358

Pursuant to a request by Sandy Hook Water District (Sandy Hook) for assistance with the preparation of a rate application, Commission Staff (Staff) performed a limited financial review of Sandy Hook s test year operations, the calendar year ending December 31, 1997. The scope of Staff s review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Upon completion of the review, Staff assisted Sandy Hook in the development and preparation of a rate application. The application included an adjusted pro forma operating income statement wherein adjustments were made to test year operating revenues and expenses that were known and measurable and deemed to be reasonable. The rates proposed by Sandy Hook were based on the pro forma income statement as shown in Attachment A of the application. Attachment A also includes the calculation of Sandy Hook s revenue requirement using a 120 percent debt service coverage. The coverage requirement is \$75,435. The proposed rates produce income available to service the debt of \$23,382; however, by adding back depreciation, a non-cash expense, income available to service debt at the proposed rates increases to \$112,564. The proposed rates should therefore provide adequate revenue for Sandy

Hook to meet its cash revenue requirements. The proposed rates are shown in Attachment D of the application.

On August 25, 1999, Sandy Hook submitted its rate application to the Commission for consideration. Staff is hereby adopting the contents of that application as its recommendation in this report as if fully set out herein. Sam Reid is responsible for all revenue adjustments and calculation of the proposed rates. Scott Lawless is responsible for the determination of the revenue requirement. Based on the information included in Sandy Hook's application, Staff is of the opinion that the rates proposed by Sandy Hook, as shown in Attachment A of this report, are reasonable and should be approved by this Commission.

Signatures

Prepared by: Jack Scott Lawless, CPA
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis

Prepared by: Sam Reid
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO. 99-358
STAFF S RECOMMENDED RATES

Monthly Water Rates

5 / 8 x 3 / 4 Meter

First	2,000 gallons	\$14.64 Minimum Bill
Next	8,000 gallons	4.90 per 1,000 gallons
Next	40,000 gallons	4.31 per 1,000 gallons
Over	50,000 gallons	3.13 per 1,000 gallons

3 / 4 Meter

First	2,000 gallons	\$14.64 Minimum Bill
Next	8,000 gallons	4.90 per 1,000 gallons
Next	40,000 gallons	4.31 per 1,000 gallons
Over	50,000 gallons	3.13 per 1,000 gallons

1 Meter

First	5,000 gallons	\$29.34 Minimum Bill
Next	5,000 gallons	4.90 per 1,000 gallons
Next	40,000 gallons	4.31 per 1,000 gallons
Over	50,000 gallons	3.13 per 1,000 gallons

1 1 / 2 Meter

First	10,000 gallons	\$53.84 Minimum Bill
Next	40,000 gallons	4.31 per 1,000 gallons
Over	50,000 gallons	3.13 per 1,000 gallons

2 Meter

First	20,000 gallons	\$96.94 Minimum Bill
Next	30,000 gallons	4.31 per 1,000 gallons
Over	50,000 gallons	3.13 per 1,000 gallons

3 Meter

First	30,000 gallons	140.04 Minimum Bill
Next	20,000 gallons	4.31 per 1,000 gallons
Over	50,000 gallons	3.13 per 1,000 gallons