

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CAWOOD WATER)
DISTRICT FOR A RATE ADJUSTMENT PURSUANT) CASE NO.
TO THE ALTERNATIVE RATE FILING PROCEDURE) 99-362
FOR SMALL UTILITIES)

ORDER

On October 1, 1999, Cawood Water District ("Cawood") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of Cawood'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 11th day of January, 2000.

ATTEST:

By the Commission

Executive Director

STAFF REPORT
ON
CAWOOD WATER DISTRICT
CASE NO. 99-362

Pursuant to a request by Cawood Water District ("Cawood") for assistance with the preparation of a rate application, Commission Staff ("Staff") performed a limited financial review of Cawood's test year operations, the calendar year ending December 31, 1998. 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 Cawood 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 Cawood were based on the pro forma income statement as shown in Attachment A of the application. Attachment A also includes the calculation of Cawood's revenue requirement using a 120 percent debt service coverage. The coverage requirement is \$102,995. The proposed rates produce income available to service the debt of (\$633); however, by adding back depreciation, a non-cash expense, income available to service debt at the proposed rates increases to \$102,195 which is \$800 less than the coverage requirement. The proposed rates should

therefore provide adequate revenue for Cawood to meet its cash revenue requirements. The proposed rates are shown in the application on Sheet 7 of Attachment B.

On October 1, 1999, Cawood filed 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. Renee Curry 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 Cawood's application, Staff is of the opinion that the rates proposed by Cawood, 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: Renee Curry
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO. 99-362
STAFF'S RECOMMENDED RATES

Monthly Water Rates

First	2,000 gallons	\$16.45	Minimum bill
Next	8,000 gallons	5.54	per 1,000 gallons
Over	10,000 gallons	3.94	per 1,000 gallons