

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE )  
CUMBERLAND COUNTY WATER )  
DISTRICT FOR THE APPROVAL ) CASE NO. 2002-00477  
OF THE PROPOSED INCREASE )  
IN RATES FOR WATER SERVICE )

ORDER

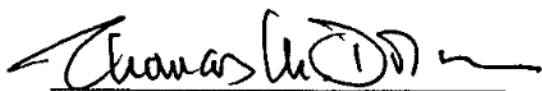
On December 20, 2002, Cumberland County Water District ( Cumberland District ) submitted its application requesting the Commission to approve its proposed increase in water rates and the implementation of several non-recurring charges. Commission Staff ( Staff ), having performed a limited financial review of Cumberland District's operations, has prepared the attached report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and submit any written comments on Staff's findings and recommendations 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, no later than 10 days from the date of this Order, submit written comments, if any, regarding the attached Staff Report or request for hearing or informal conference. If no request for a hearing or informal conference is received by this date, this case shall stand submitted to the Commission for a decision on all issues raised by the application.

Done at Frankfort, Kentucky, this 28<sup>th</sup> day of March, 2003.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas H. Dixon", written over a horizontal line.

Executive Director

STAFF REPORT  
ON  
CUMBERLAND COUNTY WATER DISTRICT  
CASE NO. 2002-00477

Pursuant to a request by Cumberland County Water District ( Cumberland District ) for assistance with the preparation of a rate application, Commission Staff ( Staff ) performed a limited financial review of Cumberland District's test period operations, the calendar year ending December 31, 2000. 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 Cumberland District 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 water rates proposed by Cumberland District were based on the pro forma income statement and the cost-of-service study as shown in the application Exhibits 3 and 11, respectively. Exhibit 7 of the application and Attachment B of this Order shows the revenue requirement from water rates including depreciation expense to be \$811,108, an increase of \$205,830 or 34.1 percent over normalized test period revenue from rates of \$605,278. As support of its nonrecurring charges, Cumberland District attached cost justification sheets to its application.

On December 20, 2002, Cumberland District submitted its rate application to the Commission for consideration. The City of Burkesville ( Burkesville ) filed with the Commission notification on February 26, 2003 that it will be increasing the wholesale water rate being charged to Cumberland District on March 15, 2003. Applying Burkesville s increased whole sale water rate to Cumberland Districts pro forma water purchases of 19,492,969 gallons results in an increase in pro forma purchased water expense and revenue requirement of \$4,288, as shown in Attachment A.

Staff is hereby adopting the contents of Cumberland District s application, with the exception of pro forma purchased water expense and revenue requirement, as its recommendation in this report as if fully set out herein. Staff recommends adjusting Cumberland District s test period purchased water expense and the revenue requirement by \$4,288 to reflect Burkesville s March 15, 2003 increase in its whole sale water rate. This results in a revised revenue requirement from water rates including depreciation expense of \$815,396, an increase of \$210,118 or 34.7 percent over normalized test period revenue from rates of \$605,278, as calculated in Attachment B.

Eddie Beavers is responsible for the revenue normalization adjustment, the billing analysis, cost justification of the nonrecurring charges, and the cost-of-service study. Mark Frost is responsible for the remaining pro forma adjustments and the determination of Cumberland District s revenue requirement. Based on the information included in Cumberland District s application and the adjustments recommended herein, Staff is of the opinion that the rates for water service, as shown in Attachment B of this report, are reasonable and should be approved by this Commission.

Upon its review of Cumberland District's cost justification for its nonrecurring charges, Staff believes the proposed charges, as set out in Attachment A, are reasonable. In its filing of February 3, 2003, Cumberland District provided the publisher's affidavit and tear sheets as proof that it has properly notified its rate-payers of the proposed nonrecurring charges as required by Administrative Regulations 807 KAR 5:011 Section 9, (2) and 807 KAR 5:001, Section 10, (3) and (4). Therefore, Staff recommends the Commission grant its approval of Cumberland District's proposed nonrecurring charges.

Signatures

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Prepared by: Mark C. Frost  
Financial Analyst, Water and Sewer  
Revenue Requirements Branch  
Division of Financial Analysis

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

ATTACHMENT A  
STAFF REPORT CASE NO. 2002-00477  
CALCULATION OF  
PURCHASED WATER ADJUSTMENT

**Purchased Water Increase**

Pro Forma Water Purchases Application (Exhibit 4 at 6)	19,492,969
Multiplied by: March 15, 2003 Wholesale Rate (per Gallon)	x <u>\$0.00209</u>
Revised Purchased Water Expense	\$ 40,740
Less: Pro Forma Purchased Water Application	- <u>36,452</u>
Purchased Water Adjustment	<u>\$ 4,288</u>

ATTACHMENT B  
 STAFF REPORT CASE NO. 2002-00477  
 CALCULATION OF STAFF S  
 RECOMMENDED REVENUE REQUIREMENT

**Revenue Requirement**

	<u>Application</u>	Purchased Water <u>Adjustment</u>	<u>Revised</u>
3-Year Average Debt Service	\$ 139,206	\$ 0	\$ 139,206
Multiplied by: Debt Service Coverage	x 1.2	x 1.2	x 1.2
Income from Operations	\$ 167,047	\$ 0	\$ 167,047
Add: Operation & Maintenance Exp.	442,929	\$ 4,288	447,217
Add: Depreciation	205,211	0	205,211
Add: Amortization	2,224	0	2,224
Add: Taxes Other Than Income Taxes	+ 14,284	+ 0	+ 14,284
Total Revenue Requirement	\$ 831,695	\$ 4,288	\$ 835,983
Less: Other Income & Deductions	- 11,446	- 0	- 11,446
Revenue Requirement - Operations	\$ 820,249	\$ 4,288	\$ 824,537
Less: Other Operating Revenues	- 9,141	- 0	- 9,141
Revenue Requirement - Water Rates	<u>\$ 811,108</u>	<u>\$ 4,288</u>	<u>\$ 815,396</u>

**Revenue Increase**

	<u>Application</u>	Purchased Water <u>Adjustment</u>	<u>Revised</u>
Revenue Requirement - Water Rates	\$ 811,108	\$ 4,288	\$ 815,396
Less: Normalized Operating Revenue	- 605,278	- 0	- 605,278
Revenue Increase	<u>\$ 205,830</u>	<u>\$ 4,288</u>	<u>\$ 210,118</u>

**Percentage Revenue Increase**

	<u>Application</u>	<u>Revised</u>
Revenue Increase	\$ 205,830	\$ 210,118
Divided by: Normalized Operating Revenues	÷ 605,278	÷ 605,278
Percentage Revenue Increase	<u>34.1%</u>	<u>34.7%</u>

ATTACHMENT C  
 STAFF REPORT CASE NO. 2002-00477  
 STAFF S RECOMMENDED WATER RATES  
 AND NONRECURRING CHARGES

**MONTHLY RATES**

3/4 Meter

First	2,000	Gallons	\$	15.48	Minimum Bill
Next	3,000	Gallons	\$	6.80	per 1,000 Gallons
Next	5,000	Gallons	\$	5.60	per 1,000 Gallons
Over	10,000	Gallons	\$	4.50	per 1,000 Gallons

1 Meter

First	5,000	Gallons	\$	35.88	Minimum Bill
Next	5,000	Gallons	\$	5.60	per 1,000 Gallons
Over	10,000	Gallons	\$	4.50	per 1,000 Gallons

1 1/2 Meter

First	12,500	Gallons	\$	75.13	Minimum Bill
Over	12,500	Gallons	\$	4.50	per 1,000 Gallons

2 Meter

First	25,500	Gallons	\$	133.63	Minimum Bill
Over	25,500	Gallons	\$	4.50	per 1,000 Gallons

**NONRECURRING CHARGES**

Field Collection Charge	\$	15.00
Meter Re-read Charge	\$	15.00
Meter Re-read Charge (After Hours)	\$	20.00
Meter Test Charge	\$	15.00
Meter Test Charge (After Hours)	\$	20.00
New Service Charge	\$	15.00
Re-connection Charge	\$	15.00
RE-connection Charge (After Hours)	\$	20.00
Service Call/Investigation	\$	15.00
Service Call/Investigation (After Hours)	\$	20.00
Returned Check Charge	\$	20.00