

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CENTER RIDGE )  
WATER DISTRICT, INC. FOR AN )  
ADJUSTMENT OF RATES PURSUANT ) CASE NO. 2003-00424  
TO THE ALTERNATIVE RATE FILING )  
PROCEDURE FOR SMALL UTILITIES )

O R D E R

On November 14, 2003, Center Ridge Water District, Inc. ("Center Ridge") filed its application for Commission approval of its proposed water rates. Commission Staff, having performed a limited financial review of Center Ridge'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 6<sup>th</sup> day of January, 2004.

By the Commission

ATTEST:

  
Executive Director

STAFF REPORT  
ON  
CENTER RIDGE WATER DISTRICT, INC.  
CASE NO. 2003-00424

Pursuant to a request by Center Ridge Water District, Inc. ("Center Ridge") for assistance with the preparation of a rate application for its water operations, Commission Staff ("Staff") performed a limited financial review of Center Ridge's test year operations for the calendar year ending December 31, 2002. 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 Center Ridge 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 Center Ridge were based on the pro forma income statement as shown in the application. The application also includes the calculation of Center Ridge's revenue requirement using an operating ratio method, which is frequently used by the Commission to determine revenue requirements for small water utilities with little or no long-term debt. To generate the revenue requirement of \$68,065, including full depreciation coverage, Center Ridge is proposing to increase its annual revenue from water rates by \$4,945, an increase of 7.8 percent over normalized revenue from water sales of \$63,120.

On November 14, 2003, Center Ridge filed its rate application to the Commission for consideration. Center Ridge's application contained a public notice with the proposed flat rate of \$18.65 per month, as their 294 customers are not individually metered, a flat rate design is reasonable. Center Ridge's application states that the revenue requirement from rates is \$65,803. The proposed rate will not generate this level of revenue, Staff recommends a rate of \$18.66. Staff is hereby adopting the remaining contents of Center Ridge's application as its recommendation in this report as if fully set out herein. Jess Helton is responsible for all revenue adjustments and the calculation of the proposed rates. Jack Kaninberg is responsible for the determination of the revenue requirement. Based on the information included in Center Ridge's application, Staff is of the opinion that the rates as shown in Attachment A of this report are reasonable and should be approved by this Commission.

### Signatures

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

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

ATTACHMENT A  
STAFF REPORT CASE NO. 2003-00424  
STAFF'S RECOMMENDED RATES

Monthly Water Rate

\$18.66 per month