

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF EASTERN) CASE NO.
ROCKCASTLE WATER ASSOCIATION, INC.) 2004-00002

ORDER

On January 5, 2004, Eastern Rockcastle Water Association, Inc. ("Rockcastle") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of Rockcastle'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 27th day of February, 2004.

By the Commission

ATTEST:


Executive Director

STAFF REPORT
ON
EASTERN ROCKCASTLE WATER ASSOCIATION, INC.
CASE NO. 2004-00002

Pursuant to a request by Eastern Rockcastle Water Association, Inc. ("Rockcastle") for assistance with the preparation of a rate application, Commission Staff ("Staff") performed a limited financial review of Rockcastle's test year operations, 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 Rockcastle in the development and preparation of a rate application. The application included a pro forma income statement wherein adjustments were made to test year operating revenues and expenses that were known and measurable and deemed to be reasonable.

On January 5, 2004, Rockcastle filed its rate application with the Commission for consideration. Staff is hereby adopting the contents of the application as its recommendation in this report as if fully set out herein. Jessamyn Helton is responsible for all revenue adjustments and calculation of the proposed rates. Scott Lawless is responsible for the determination of the revenue requirement.

The rates proposed by Rockcastle were based on the pro forma income statement as shown in Attachment A of the application. Also, Attachment A details the calculation of revenue required from rates. As shown in Attachment A, Rockcastle can

justify revenues from rates of \$248,504. To lessen the “rate shock” to its customers Rockcastle chose to request rates that will produce only \$221,009 annually, an increase of \$51,002 over normalized revenues from rates of \$170,007. The proposed rates will increase the charge for 5,000 gallons of water by \$11.39 or 32.08 percent. The rates proposed by Rockcastle produce income sufficient to cover its debt as required by its loan resolutions, 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: Jessamyn Helton
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO. 2004-00002
STAFF'S RECOMMENDED RATES

Monthly Water Rates

First 2,000 Gallons	\$21.40	Minimum Bill
For each additional 1,000 Gallons	8.50	Per 1,000 Gallons