

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF PINWOOD SUBDIVISION, )	
INC. d/b/a PINWOOD SUBDIVISION SEWER FOR )	
AN ADJUSTMENT OF RATES FOR SEWER )	CASE NO.
SERVICE AND ESTABLISHMENT OF CERTAIN )	2006-00029
NON-RECURRING CHARGES )	

ORDER

On January 17, 2006, Pinewood Subdivision, Inc. d/b/a Pinewood Subdivision Sewer ("Pinewood") filed its application for Commission approval of proposed sewer service rates and certain non-recurring charges. Commission Staff, having performed a limited financial review of Pinewood'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 23<sup>rd</sup> day of February, 2006.

ATTEST:

By the Commission

  
Executive Director

## STAFF REPORT

ON

PINEWOOD SUBDIVISION, INC. d/b/a PINEWOOD SUBDIVISION SEWER

CASE NO. 2006-00029

Pursuant to a request by Pinewood Subdivision, Inc. d/b/a Pinewood Subdivision Sewer ("Pinewood") for assistance with the preparation of a rate application to adjust sewer service rates and establish certain non-recurring charges, Commission Staff ("Staff") performed a limited financial review of Pinewood's test year operations, the calendar year ended December 31, 2004. 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 Pinewood in the development and preparation of an application to adjust sewer service rates and establish certain non-recurring charges. 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. Attachment A of the application included a pro forma income statement and revenue requirement and rate calculation worksheets. The monthly flat rate per customer calculated in the application was \$22.05, a \$7.45 or 51 percent increase over the current flat rate of \$14.60.

Also included in the application was a request to establish a \$25 returned check charge and a 10 percent late payment penalty. Cost justification for the \$25 returned

check charge was included in the Application at Attachment B. No justification was necessary for the 10 percent late payment penalty. A late penalty of up to 10 percent is allowed by the Commission with no specific justification.

On January 17, 2006, Pinewood filed the Staff assisted rate application with no revisions to the Commission for consideration. Staff is hereby adopting the contents of this application as its recommendation in this report as if fully set out herein. Eddie Beavers is responsible for all revenue adjustments and calculation of the proposed rates and non-recurring charges. Scott Lawless is responsible for the determination of the revenue requirement. Based on the information included in Pinewood's application, Staff is of the opinion that the rates proposed by Pinewood, 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 Scott Lawless, CPA  
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. 2006-00029

STAFF'S RECOMMENDED RATES

Sewer Service Monthly Flat Rate	22.05
Returned Check Charge	25.00

10 percent late payment penalty to be applied once to a bill rendered for services that has not been paid by the due date shown on the customer's bill.