

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

Case 2005-00036

RECEIVED
JAN 20 2007
PUBLIC SERVICE
COMMISSION

Lewis Sanitation Co. Inc. – Garden Heights Sewer System
Name of Utility

771 Sargent Drive

Owensboro, Kentucky 42301-8372

Business Mailing Address

Telephone Number (270) 684-1098

Area Code

Number

I. Basic Information

NAME, TITLE, ADDRESS and Telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: John Lewis, President

Address: 771 Sargent Drive

Owensboro, KY 42301

Telephone Number: (270) 684-1098

- | | | | |
|----|---|--------------------------------------|----|
| 1) | Do you have 500 customers or fewer? | <input checked="" type="radio"/> Yes | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? | <input checked="" type="radio"/> Yes | No |
| 3) | Has the Utility filed an annual report with this Commission for the past year and the two previous years? | <input checked="" type="radio"/> Yes | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | <input checked="" type="radio"/> Yes | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these

requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, 2003.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

See Attachment A.

b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Please see the notes to Attachment A for these descriptions.

i. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

	<u>Present Rate</u>	<u>Proposed Rate</u>
Single Family Residential	\$11.00 per month	\$16.96 per month (54% incr.)

III. Other Information

a. Please complete the following questions:

1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

2) Total number of Customers as of the date of filing: 108

3) Total amount of increased revenue requested: \$7,714

4) Please circle Yes or No:

a) Does the utility have any outstanding indebtedness?

Yes

No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

b) Were all revenues and expenses listed in the Annual Report for 2003 incurred and collected from January 1 to December 31 of that year?

Yes

No

If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2003 and the amount shown on this schedule. -- **Depreciation schedule attached.**

6) If utility is a sewer utility:

a) Attach a copy of the latest State and Federal Income Tax Returns. **Attached**

b) How much of the utility plant was recovered through the sale of lots or other contributions? (If unknown, state the reason).

b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Garden Heights is a small sewer system which has not had a rate increase in more than a decade. During that time, the utility's costs have increased, and the age of the plant requires that more money be spent on maintenance and repairs. In addition, the owner and operators of Lewis Sanitation have received little or no compensation for the various duties performed on behalf of the utility.

- Step3: Next 10,000 gallons rate level
 1,830 Bills
 16,268,700 gallons used
 1^{st} 2,000 minimum x 1,830 bills = 3,660,000 gallons – record in Column 4.
 Next 3,000 gallons x 1,830 bills = 5,490,000 gallons – record in Column 5.
 Next 10,000 gallons – remainder of water over 3,000 = 7,118,700 gallons – record in Column 6.
- Step4: Next 25,000 gallons rate level
 650 Bills
 15,275,000 gallons used
 1^{st} 2,000 minimum x 650 bills = 1,300,000 gallons – record in Column 4.
 Next 3,000 gallons x 650 bills = 1,950,000 gallons – record in Column 5.
 Next 10,000 gallons x 650 bills = 6,500,000 gallons – record in Column 6.
 Next 25,000 gallons – remainder of water over 10,000 = 5,525,000 gallons – record in Column 7.
- Step5: Over 40,000 gallons rate level
 153 Bills
 9,975,600 gallons used
 1^{st} 2,000 minimum x 153 bills = 306,000 gallons – record in Column 4.
 Next 3,000 gallons x 153 bills = 459,000 gallons – record in Column 5.
 Next 10,000 gallons x 153 bills = 1,530,000 gallons – record in Column 6.
 Next 25,000 gallons x 153 bills = 3,825,000 gallons – record in Column 7.
 Over 40,000 gallons – remainder of water over 25,000 = 3,855,600 gallons – record in Column 8.
- Step6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue produced.

Revenue from Present/Proposed Rates
 Test Period from 01-01-XX to 12-31-XX

USAGE TABLE
 Usage by Rate Increment

Class: Residential

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Bills	Gallons/Mcf	First 2,000	Next 3,000	Next 10,000	Next 25,000	Over 40,000	Total
First 2,000 Minimum Bill	432	518,400	518,400	1,388,000				518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	5,490,000	7,118,700			4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	1,950,000	6,500,000	5,525,000		16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	459,000	1,530,000	3,825,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000				3,855,600	9,975,600
Totals	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

REVENUE TABLE
 Revenue by Rate Increment

(1)	(2)	(3)	(4)	(5)
	Bills	Gallons/Mcf	Rates	Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
Totals	4,800	46,895,700		\$ 92,094.10 Total Revenue

Instructions for Completing Revenue Table:

- (1) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (2) Complete Column No. 4 using rates either present or proposed.
- (3) Column No. 5 is completed by first multiplying the bills times the minimum charge.
- (4) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Telephone: 502 / 564 – 3940

c. One Copy of the completed application should also be sent at the same time to:

Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502 / 564 – 3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed

John L. Lewis
Officer of the Company

Title

Pres.

Date

1/11/05

Lewis Sanitation Attachment A	2003	Adjustments	Ref.	Adjusted
Revenues (108 customers x \$11)	\$14,212	\$44	A	\$14,256
Owner/Manager. fee	\$1,301	\$2,299	B	\$3,600
Sludge Hauling	\$625	\$1,175	C	\$1,800
Water Cost	\$91	0		\$91
Other – Labor, Material, & Exp.	\$3,967	0		\$3,967
Rents	\$55	0		\$55
Fuel/Power for Pumping	\$2,246	0		\$2,246
Chemicals	\$275	0		\$275
Mt. Of Collection Sewer System	\$1,068	0		\$1,068
Mt. Of Treatment & Disposal	\$464	0		\$464
Admin & Gen. Salaries	0	\$1,200	D	\$1,200
Agency collection Fee	\$646	0		\$646
Uncollectible Accounts	\$77	0		\$77
Office Supplies and Other	\$1,341	(\$72) (\$513)	E	\$756
Outside Services Employed	\$575	0		\$575
Transportation Exp.	\$2,160	(\$1,080)	F	\$1,080
<i>Total Sewer O&M</i>	<i>\$14,891</i>	<i>\$3,009</i>		<i>\$17,900</i>
Depreciation Exp.	\$2,151	(\$1,737)	G	\$414
Amortization Exp.	\$839	(\$839) \$360	H	\$360
Taxes OT Income	\$122	0		\$122
Total Operating Exp.	\$18,003	\$793		\$18,796
<i>Net Operating Income</i>	<i>(\$3,791)</i>	<i>(\$749)</i>		<i>(\$4,540)</i>
Miscellaneous Nonoperating Income	\$198	(\$99)	I	\$99
<i>Net Income</i>	<i>(\$3,593)</i>	<i>(\$848)</i>		<i>(\$4,441)</i>

Calculation of Revenue Requirement using Operating Ratio Method:

\$18,796 Proforma Operating Expenses Before Income Taxes
88% Operating Ratio
 \$ 21,359 Revenue Requirement Before Tax
 (\$18,796) Proforma Operating Expenses
 \$ 2,563 After Tax net Income
x 1.23839 Tax Factor
 \$ 3,174 Net Income Before Income Tax (Tax is \$611)

\$ 21,970 Revenue Requirement Including Tax
 (\$14,256) Normalized Revenues
 \$ 7,714 Recommended Revenue Increase (54% increase)

\$21,970 / 12 = \$1,830.83 divided by 108 customers = \$16.96 per month bill

Explanatory Notes:

- A. Normalized Revenues based on 108 customers currently paying \$11.00 per month.
- B. The PSC normally allows an owner/manager fee of \$3,600 for operators of sewer utilities, and one is justified in this case.
- C. Sludge hauling expense based on monthly hauling at \$150 per load. This rate was increased from \$125 per load effective October 19, 2004. In addition, because of the utility's poor revenue streams, sludge hauling was not done in the past as often as it should be done.
- D. Proforma Administrative Salaries Expense of \$100 per month to compensate the owner's wife for her duties on behalf of the utility, including billing and other administrative tasks.
- E. Office Supplies Expense for 2003 included a \$72 payment for cell phone service unrelated to the utility. In addition, 33% of the telephone expense of \$769 at the owner's residence was allocated to the utility, with the remaining 67% allocated to personal and other business use.
- F. Transportation Expense of \$2,160 for the owner's truck was allocated 50% to the utility, and 50% to the owner's other business use.
- G. Proforma Depreciation Expense was adjusted to remove the approximately 81% of the Utility Plant In Service that was funded by Contributions in Aid of Construction.
- H. Amortization Expense was adjusted to exclude the amortization expense of \$839 related to an acquisition adjustment, and to include the 5-year amortization of an EPA permit costing \$1,800.
- I. Miscellaneous Nonoperating Income of \$198 was reduced by 50% because a Kenergy capital credit of \$198 is not expected to recur annually.

Depreciation Schedule – Explanatory Note

The Financial Audit Branch of the PSC Staff assisted Lewis Sanitation in preparing its 2003 annual report. During this review, Staff found that previous annual reports had not correctly stated amounts related to plant, depreciation, and contributions in aid of construction. Staff corrected this with several revisions to the 2003 annual report. Due to a lack of detailed information, Staff found that utility plant is being depreciated on a composite basis over 43 years, with an annual depreciation expense of \$2,151. Most of this expense relates to contributed property, and that portion of depreciation expense has therefore been removed for ratemaking purposes. Attached is the 2003 PSC Annual Report page showing the revised amounts for Sewer Utility Plant in Service.

Lewis Sanitation requests that the Commission accept this explanation and the attached schedule as the best available information related to Plant and Depreciation.

SEWER UTILITY PLANT IN SERVICE

Report in col. (e) entries reclass. property from one acct. to another. Corrections of entries of the prec. yr. should be recorded in col. (c) or (d) as they are corrections of additions or retirements.

Line No.	Account	Depr. Rate	Balance First of Yr	Additions	Retire-ments	Adj.-Inc. or Dec.	Balance End of Year
1	INTANGIBLE PLANT						
2	Organization(301)	---					
3	Franchise and Consents(302)	---					
4	Miscellaneous Intangible Plant(303)	---					
5	Total Intangible Plant	---					
6	LAND AND STRUCTURES						
7	Land and Land Rights(310)	---	1,000	2,000			3,000
8	Structures and Improvements(311)						
9	Total Land and Structures		1,000	2,000			3,000
10	COLLECTION PLANT						
11	Collection Sewers-Force(352.1)						
12	Collection Sewers-Gravity(352.2)						
13	Other Collection Plant Facilities(353)		3,450	46,040		3,450 (3,450)	49,490
14	Services to Customers(354)						
15	Flow Measuring Devices(355)						
16	Total Collection Plant		3,450	46,040			49,490
17	PUMPING PLANT						
18	Receiving Wells and Pump Pits(362)						
19	Pumping Equipment-Electric(363A)						
20	Pumping Equipment-Diesel(363B)			29,450			29,450
21	Pumping Equipment-Other(363C)			29,450			29,450
22	Total Pumping Plant			29,450			29,450
23	TREATMENT AND DISPOSAL PLANT						
24	Oxidation Lagoon(372)						
25	Treatment and Disposal Equipment(373)		10,550				10,550
26	Plant Sewers(374)						
27	Outfall Sewer Lines(375)						
28	Other Treat. & Dis. Plt. Equip.(376)						
29	Total Treatment and Disposal Plant		10,550				10,550
30	GENERAL PLANT						
31	Office Furniture and Equipment(391)						
32	Transportation Equipment(392)						
33	Stores Equipment(393A)						
34	Tools, Shop & Garage Equipment(393B)						
35	Laboratory Equipment(393C)						
36	Power Operated Equipment(393D)						
37	Communication Equipment(393E)						
38	Other Tangible Property(393F)						
39	Total General Plant						
40	TOTAL SEWER PLANT IN SERVICE		15,000	77,490			92,490

REVISED COPY

FOR Garden Heights
Community, Town or City

P.S.C. KY. NO. 1

1st Revised SHEET NO. 1

CANCELLING P.S.C. KY. NO. 1

Original SHEET NO. 1

Lewis Sanitation Company
(Name of Utility)

RATES AND CHARGES

Single Family Residential

\$16.96

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

ORIGINAL COPY FILED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

DEC 19 1985

D. J. Davis
trm

ARTICLES OF INCORPORATION
OF
LEWIS SANITATION CO., INC.

ARTICLE I

NAME

BOOK 45 PAGE 108

The name of the corporation shall be LEWIS SANITATION
CO., INC.

001491

ARTICLE II

DURATION

The life of LEWIS SANITATION CO., INC. shall be
perpetual.

ARTICLE III

PURPOSES AND POWERS

A. The purposes for which the corporation is organized shall include the transaction of any and all lawful business for which corporations may be incorporated under the provisions of KRS 271 A 270, and related statutes, in any state, territory, district or possession of the United States to the extent that such purposes are not forbidden by law of such state, territory, district or possession of the United States, and for all purposes convenient thereto.

B. The corporation shall have all of the powers vested in corporations by Chapter 271 A of the Kentucky Revised Statutes and related statutes, and all of the powers reasonable or convenient to carry out the purposes of the corporation herein stated.

ARTICLE IV

The aggregate number of shares which the corporation

12-27-85
MAIL TO
Council, Neal & Thompson
613. Fredrice H. O'Leary

ARTICLE IV


The aggregate number of shares which the corporation shall have authority to issue shall be 1000 shares, which shall be without par value. Each share shall have full and equal voting rights.

ARTICLE V

The name and address of the Incorporator is as follows:

John L. Lewis
2736 Reid Road
Owensboro, Kentucky 42301

CONNOR, NEAL
& THOMPSON
ATTORNEYS AT LAW
OWENSBORO, KY



ARTICLE VI

BOOK 45 PAGE 109

BOARD OF DIRECTORS

The Board of Directors of the corporation shall be not less than one nor more than three persons, and the initial Board of Directors shall be composed of one person who shall serve until the first annual meeting or until his successor is elected and qualified, and thereafter the number, qualifications, manner of election, time and place of meeting, and the powers and duties of the Directors shall be prescribed by the duly enacted by-laws of the corporation.

The name and address of the person who is to serve as the initial Board of Directors is as follows:

John L. Lewis
2736 Reid Road
Owensboro, Kentucky 42301

ARTICLE VII

REGISTERED OFFICE AND

REGISTERED AGENT

The registered office of the corporation is 2736 Reid Road, Owensboro, Kentucky, and the name of the initial registered agent of the corporation is John L. Lewis.

ARTICLE VIII

The power to make by-laws is expressly vested in the Board of Directors, subject to the power of shareholders to change or repeal such by-laws.

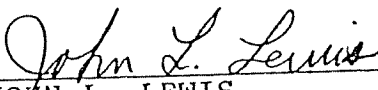
ARTICLE IX

The individual property of the shareholders shall not be subject to the debts of the corporation, nor shall the individual shareholders themselves be liable for the obligations of the

ARTICLE IX

The individual property of the shareholders shall not be subject to the debts of the corporation, nor shall the individual shareholders themselves be liable for the obligations of the corporation.

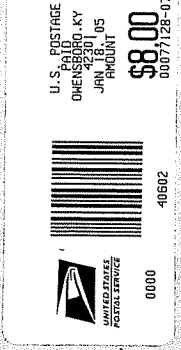
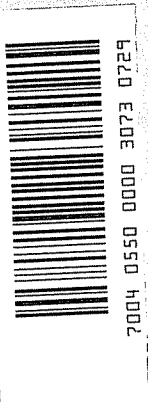
IN TESTIMONY WHEREOF, the incorporator has executed this instrument in triplicate, this the 17th day of December, 1985.



JOHN L. LEWIS

CONNOR, NEAL
& THOMPSON
ATTORNEYS AT LAW
OWENSBORO, KY

Lewis Sanitation Co.
771 Sargent Dr
PO Box 22988
Owensboro, Ky. 42301



RECEIVED
JAN 20 2005
PUBLIC SERVICE
COMMISSION

Environmental and Public Protection Cabinet
Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfort, Ky. 40602-0615

RETURN RECEIPT
REQUESTED