



APPLICATION FOR RATE ADJUSTMENT BEFORE THE PUBLIC SERVICE COMMISSION

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



Joann Estates Utilities Inc

Name of Utility

6500 Hwy. 60 West

Paducah, Kentucky 42001

Business Mailing Address

Telephone Number (270) 851-4470

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: Jim Waid, Manager

Address: 6500 Hwy. 60 West

Paducah, KY 42001

Telephone Number: (270) 851-4470

- 1) Do you have 500 customers or fewer? Yes  No
- 2) Do you have \$300,000 in Gross Annual Revenue or less?  Yes No
- 3) Has the Utility filed an annual report with this Commission for the past year and the two previous years?  Yes No
- 4) Are the utility's records kept separate from any other commonly-owned enterprise?  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, 2005.

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.**

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:

	<b>Present Rate</b>	<b>Proposed Rate</b>
<b>Single Family Residential</b>	<b>\$17.05/mo.</b>	<b>\$19.66/mo. (15.3% incr.)</b>

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: 269

3) Total amount of increased revenue requested: \$8,413

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 2005 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 2005 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).

**Joann Estates has not increased its general rates in several years. Since then, its overall costs have risen.**

#### IV. Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using declining block rate design. This billing analysis is not intended for companies using a flat rate design.

- a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns numbered 2 and 3 are completed by using information obtained from usage records.

Columns numbered 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1:       1<sup>st</sup> 2,000 gallons minimum bill rate level  
                  432 Bills  
                  518,400 gallons used  
                  All bills use 2,000 gallons or less, therefore, all usage  
                  is recorded in Column 4.

Step2:        Next 3,000 gallons rate level  
                  1,735 Bills  
                  4,858,000 gallons used  
                  1<sup>st</sup> 2,000 minimum x 1,735 bills = 3,470,000 gallons –  
                  record in Column 4.  
                  Next 3,000 gallons – remainder of water over 2,000 =  
                  1,388,000 gallons – record in Column 5.

Step3:        Next 10,000 gallons rate level  
                  1,830 Bills  
                  16,268,700 gallons used  
                  1<sup>st</sup> 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<sup>st</sup> 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<sup>st</sup> 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.

**SAMPLE**

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

**REVENUE TABLE**  
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) 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
<b>Totals</b>	<b>4,800</b>	<b>46,895,700</b>		<b>\$ 92,094.10 Total Revenue</b>

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:

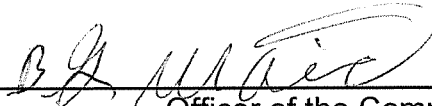
Public Service Litigation Branch  
Office of the Attorney General  
Post Office Box 2000  
Frankfort, Kentucky 40602-2000

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.

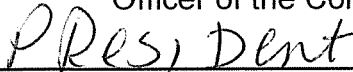
4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed



\_\_\_\_\_  
Officer of the Company

Title



Date



Joann Estates Attachment A	2004	2005	Adj.	Ref.	Adjusted
Revenues	\$49,976	\$50,658	\$4,379	A	\$55,037
Owner/Manager – Mgmt. Fee	\$9,750	\$11,875	0		\$11,875
Utility Service – Water Cost	\$7,925	\$8,988	0		\$8,988
Lab Fees	\$5,050	\$15,616	(\$400)	B	\$12,624
Chemicals	\$9,788		(\$2,592)		
Rents	\$4,300	\$1,900	\$1,200	C	\$3,100
Maint. of other plant facilities		\$418	(\$374)	D	\$44
Office Supplies & Other	\$265	\$185	0		\$185
Outside Services employed	\$6,591	\$9,237	(\$200) (\$381) (\$185) \$3,276	E	\$11,747
Insurance Expense		0	0		0
Misc. General Exp.	\$3,595	\$1,580	0		\$1,580
Total Sewer O&M	\$47,264	\$49,799	\$344		\$50,143
Taxes OT Income	\$2,696	\$1,236	0		\$1,236
Depreciation Exp.	\$3,003	\$2,987	0		\$2,987
Amortization Expense		0	\$125 \$76	F	\$201
<b>Total Operating Exp.</b>	<b>\$52,963</b>	<b>\$54,022</b>	<b>\$545</b>		<b>\$54,567</b>
<i>Net Operating Income</i>	<i>(\$2,987)</i>	<i>(\$3,364)</i>	<i>\$3,834</i>		<i>\$470</i>

#### Calculation of Revenue Requirement using Operating Ratio Method:

\$54,567 Proforma Operating Expenses Before Income Taxes  
 \_\_\_\_\_ 88% Operating Ratio  
 \$ 62,008 Revenue Requirement Before Tax  
 (\$55,959) Proforma Operating Expenses  
 \$ 6,049 After Tax net Income  
 x 1.23839 Tax Factor  
 \$ 7,491 Net Income Before Income Tax (Tax is \$1,442)

\$ 63,450 Revenue Requirement Including Tax  
 ( \$55,037) Normalized Revenues  
 \$ 8,413 Recommended Revenue Increase (15.29% increase)

$\$63,450 / 12 = \$5,287.50$  divided by 269 customers = \$19.66 per month bill  
 (rounded up from \$19.656)

#### Explanatory Notes:

A. Revenues were adjusted to reflect Staff's normalized revenues based on 269 customers.

B. Chemicals Expense was adjusted for two items. The first was the removal of \$400 in lab fees incurred in 2004 but paid in 2005; the second was the reduced cost associated with changing a chemical supplier.



C. Rent Expense was adjusted to average the 2005 rent expense of \$1,900 and the 2004 rent expense of \$4,300. The owner of Joann Estates rents a tractor to the utility at a charge of \$3,600 annually, but no contract exists for this less-than-arms-length transaction. In addition, the utility occasionally rents a backhoe from Case Equipment to dredge its lagoon, but this was not done in 2005. Under these circumstances, an average of the 2004 and 2005 rent expenses is reasonable.

D. Maintenance of Other Plant Facilities Expense was adjusted to remove a nonrecurring charge for fencing material.

E. Outside Services Employed Expense was adjusted for four items. First, a \$200 expense incurred in 2004 but paid in 2005 was removed. Second, a \$381 nonrecurring charge for an engineer to copy records was removed. Third, a total of \$185 paid to a contract laborer was removed because it will not recur in the future. Fourth, an allowance of \$3,276 (\$63 per week, or \$9 per hour times 7 hours) was made for a contract laborer to perform miscellaneous tasks at the utility.

F. Amortization Expense was adjusted to include a three-year recovery for the fencing material removed above, as well as a five-year recovery for the engineer's copying charges.

610956780 Joann Estates Utilities, Inc.  
 61-0956780  
 FYE: 12/31/2005

**Book Asset Detail 1/01/05 - 12/31/05**

Asset #	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period	
<b>Group: EQUIPMENT</b>												
1	TRANS EQUIPMENT	7/01/89	7,900.00	0.00	0.00	7,900.00	0.00	7,900.00	0.00	S/L	5.0	
8	WEDEATER	4/12/97	350.08	0.00	0.00	350.08	0.00	350.08	0.00	200DB	7.0	
9	EQUIPMENT	4/01/88	2,065.00	0.00	0.00	2,065.00	0.00	2,065.00	0.00	S/L	12.5	
10	130027 LEESSON MOTOR	5/07/92	222.38	0.00	0.00	222.38	0.00	222.38	0.00	200DB	7.0	
11	MYERS GRINDER PUMP WITH:	10/05/92	930.68	0.00	0.00	930.68	0.00	930.68	0.00	200DB	7.0	
12	(2) METERS	12/14/92	718.68	0.00	0.00	718.68	0.00	718.68	0.00	200DB	7.0	
13	PEABODY BARNES PUMP	10/15/93	756.42	0.00	0.00	756.42	0.00	756.42	0.00	200DB	7.0	
14	PEABODY BARNES PUMP	11/08/93	824.56	0.00	0.00	824.56	0.00	824.56	0.00	200DB	7.0	
	<b>EQUIPMENT</b>		<b>13,767.80</b>	<b>0.00c</b>	<b>0.00</b>	<b>13,767.80</b>	<b>0.00</b>	<b>13,767.80</b>	<b>0.00</b>			
<b>Group: PLANT</b>												
2	PLANT	4/01/88	8,935.00	0.00	0.00	7,362.24	446.75	7,808.99	1,126.01	S/L	20.0	
3	WILMINGTON-CHILES PLANT	12/31/93	4,651.04	0.00	0.00	3,144.10	376.74	3,520.84	1,130.20	150DB	15.0	
4	WILMINGTON-CHILES PLANT	12/31/94	8,300.00	0.00	0.00	5,274.65	605.07	5,879.72	2,420.28	150DB	15.0	
5	WILMINGTON-CHILES PLANT	12/31/95	4,865.00	0.00	0.00	2,949.84	319.19	3,269.03	1,595.97	150DB	15.0	
6	WILMINGTON-CHILES PLANT	12/31/96	5,204.42	0.00	0.00	3,053.22	307.31	3,160.53	1,843.89	150DB	15.0	
7	UPGRADE	6/30/97	13,147.28	0.00	0.00	4,930.20	657.36	5,587.56	7,559.72	S/L	20.0	
15	PLANT UPGRADE	1/01/98	4,190.00	0.00	0.00	1,990.76	274.90	2,265.66	1,924.34	150DB	15.0	
	<b>PLANT</b>		<b>49,292.74</b>	<b>0.00c</b>	<b>0.00</b>	<b>28,705.01</b>	<b>2,987.32</b>	<b>31,692.33</b>	<b>17,600.41</b>			
	<b>Grand Total</b>		<b>63,060.54</b>	<b>0.00c</b>	<b>0.00</b>	<b>42,472.81</b>	<b>2,987.32</b>	<b>45,460.13</b>	<b>17,600.41</b>			

FOR Joann Estates, Timberland & Wilmington  
Chiles Subdivisions

Community, Town or City

P.S.C. KY. NO. 1 \_\_\_\_\_

1<sup>st</sup> Revised \_\_\_\_\_ SHEET NO. \_\_\_\_\_ 1 \_\_\_\_\_

Joann Estates Utilities Inc. \_\_\_\_\_

(Name of Utility)

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

Original \_\_\_\_\_ SHEET NO. \_\_\_\_\_ 1 \_\_\_\_\_

CONTENTS

Single Family Residential

\$19.66 per month

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 \_\_\_\_\_

# JOANN ESTATES UTILITIES

6500 Highway 60 West  
Paducah, Kentucky 42001

May 3, 2007

Joann Estates Utilities, Inc. Customers:

Due to the ever increasing cost of upgrade and maintenance to our sewer system, Joann Estates Utilities, Inc. has filed for a rate increase with the Public Service Commission of Kentucky.

We have not had a rate increase in many years and during that time the cost of operating, testing and maintenance have increased to such a degree we are unable to continue providing service to you the customer as effectively without this increase.

If the Public Service Commission approves this rate increase, we propose the effective date of the increase to begin August, 2007.

The following page lists the current and proposed rates and your rights as a consumer.

We thank you for your continued service and if you have any questions, please feel free to contact us.

Sincerely,

A handwritten signature in cursive script, appearing to read "B.J. Waid", written in black ink.

B.J. Waid,  
Joann Estates Utilities, Inc.

## **NOTICE**

Joann Estates Utilities, Inc. has filed any application with the Public Service Commission to increase its rates for sewer service. The proposed effective date of the change is August, 2007.

### **Monthly Rates**

	Current Rate	Proposed Rate
Single Family Residential	\$17.05	\$19.66 (15.3% increase)

The rates contained in this notice are the rates proposed by Joann Estates Utilities, Inc. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene; by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the motion including the status and interest of the party movant. Copies of the application may be obtained at no charge from the utilities office. Upon request from the intervener, the company shall furnish the intervener a copy of the application and supporting documents.

Joann Estates Utilities, Inc.